FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Kodak looks for a new exposure, Page 16

World news

Folketing rejects EEC reforms

The Folketing (Danish parliament) voted last night by 80 votes to 75 to reject the reforms of the EEC which were negotiated in Luxembourg last month.

Prime Minister Poul Schlüter is expected to submit the issue to a referendum, probably at the end of February.

The Folketing called on the Government to reopen negotiations on the reforms with other EEC members. Schlüter is not expected to announce the referendum until he has received a response from the Community. Page 18

'100 civilians killed'

About 100 civilians were killed by Soviet air attacks on central Afghan towns of Charikar and Kuhistan, earlier this month, Western diplomats said.

Beirut blast deaths

A car bomb killed at least 27 people and wounded about 70 in east Beirut. Page 4

Somalia famine threat

More than 2.5m people could face famine in Somalia after a long drought which has killed livestock, Interior Minister Ahmed Suleiman Abdulle said.

G5 extension

France held out the possibility that Italy and Canada may be invited to future meetings of the so-called Group of Five finance ministers, which has emerged as an informal steering group for decisions on interest rates and the dollar. Page 3

Ivory Haul

Belgian customs officers have seized nearly 11 tonnes of ivory in containers apparently destined for the Middle East.

Sex doll ruling

British customs officials who seized 490 blow-up sex dolls to protect public morals broke EEC rules on the free movement of goods, a European judge declared in Luxembourg.

Farmers protest

Thousands of French farmers marched through the northern city of Amiens to protest against a fall in their income.

Spanish lock-out

Spain's state shipyard Bazan locked out its 2,800 workers in Cadiz because of their protests against job cuts.

Kampala calm

Calm returned to the suburbs of Kampala after three days of clashes between government troops and National Resistance Army rebels.

Lesotho talks

A delegation of the Lesotho military council, which seized power in a bloodless coup, flew to Cape Town for talks with South African Foreign Minister Pik Botha aimed at restoring normal relations between the two countries. Page 4

Danube dam damned

Environmentalists from Austria, Hungary and West Germany signed a declaration in Budapest to fight an Austro-Hungarian plan for a dam and power plant on the Danube, part of a network involving Czechoslovakia.

Bonner setback

Soviet dissident Yelen Bonner has developed complications following heart bypass surgery and may require an extension of her three-month visa to stay in the US.

Khameini offended

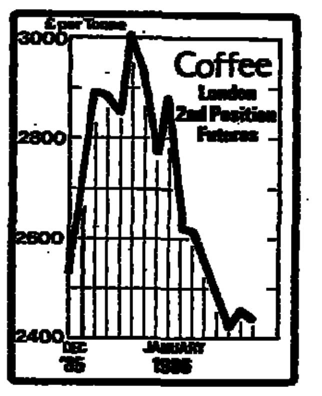
President Ali Khameini of Islamic fundamentalist Iran refused to attend a banquet at Harare, Zimbabwe, where women were seated at the top table and wine was served.

Business summary

Major US bank loses $178m

BANKAMERICA, West Coast US group, is to omit its fourth-quarter dividend after a net loss of $178m for the three months against a $44m profit in the previous corresponding term.

Citicorp of the US reported a 7 per cent fall in final-quarter net earnings. Full-year results showed a 12 per cent improvement. Page 19



COFFEE prices fell further on the London robusta futures market amid continuing uncertainty over talks on the International Coffee Organisation's export control system. The March contract was down £20 to £2,432.50 ($3,405.50) a tonne. Page 30

TOKYO: Prices fell for the fourth consecutive session. The Nikkei average lost 70.55 points to 12,881.50. Page 38

LONDON was boosted from early low levels by a late firmness in the price of crude oil. The FT index closed 2.6 up at 1,108.7, and the FT-SE 100 index was 0.2 lower at 1,378.1. Page 38

WALL STREET: The Dow Jones industrial average closed down 14.68 at 1,514.45. Page 38

STERLING dropped 85 points against the dollar in London to $1.407. It also fell to DM 3.4575 (DM 3.4975), SFr 2.9325 (SFr 2.9675), FFr 10.6075 (FFr 10.7175) and Y284.75 (Y286.5). The pound's exchange-rate index finished at 76.2, down from 76.9. Page 31

DOLLAR was on the whole weaker in London, closing at DM 2.457 (DM 2.471), SFr 2.084 (SFr 2.097) and FFr 7.54 (FFr 7.5725). It improved slightly to Y202.4 (Y202.35). On Bank of England figures the dollar's exchange-rate index fell to 125.9 from 126.2. Page 31

GOLD rose $1.125 on the London bullion market to $352.75 and was $5.125 higher in Zurich at $356.875. In New York the Comex February settlement was $352.80. Page 30

NORTHERN Telecom, Canadian telecommunications supplier, lifted net earnings to C$125.3 (US$89.5m) in the fourth quarter compared with C$123.1m in the year-ago period.

COMMERZBANK, a leading West German commercial bank, is raising DM 900m ($364m) through a rights issue and plans to raise its annual dividend. Page 19, Lex, Page 18

TOTAL-Compagnie Française des Pétroles (CFP) expects to report net earnings of more than FFr 1.5bn ($196m) for 1985, according to François Xavier Ortoli, chairman of the French group. Page 19

DATA GENERAL, US semiconductor maker returned net earnings of $1.1m during its first fiscal quarter compared with $33m in the previous corresponding period. Page 19

ALCOA, leading US aluminium manufacturer returned a loss of $16.6m for 1985 after charging off $156.9m related to restructuring of the business which was previously announced. Page 19

BELL RESOURCES of Australia, controlled by Robert Holmes à Court, nearly trebled net profit last year to A$104.2m (US$71.8m). Page 23

HOFFMANN-La Roche, Swiss chemicals group, expects further improvement in earnings for 1985 after an 8.1 per cent rise in turnover to a record level. Page 19

Singapore questions key Malaysian leader over Pan-Electric

MR TAN KOON SWAN, the Malaysian businessman who is political leader of the country's powerful Chinese community, was unexpectedly taken into custody by the Singapore authorities yesterday as investigations intensified into the affairs of the failed Pan-Electric Industries, writes Chris Sherwell in Singapore.

The sudden action, suggesting that Singapore is determined to pursue its inquiries to the highest level, seems certain to complicate the delicate internal balance among Malaysia's political parties and pose problems for Dr Mahathir Mohamad, the Prime Minister.

It also spells trouble for financially stretched Singapore stockbroking firms which expect Mr Tan to honour at least S$140m ($65m) worth of share purchase agreements, and it signals the probable end of the road for creditors and shareholders of Pan-Electric who hoped he could help to save the company in which he holds an influential stake.

The troubles of the marine salvage, property and hotel group – put into receivership at the end of November with S$400m in debts – have already led to the unprecedented three-day closure of the Singapore and Kuala Lumpur stock exchanges, greatly damaged foreign confidence in both markets and slashed share prices.

The Singapore Ministry of Finance said Mr Tan was "taken into custody at 7pm following investigations by the Commercial Affairs Investigation Department into the financial affairs of Pan-Electric Industries."

His wife said he hoped to be released later last night, and Dr Mahathir is expected to make a statement in Kuala Lumpur today after a Cabinet meeting. It is being presumed that Dr Mahathir and Mr Lee Kuan Yew, Singapore's Prime Minister, were in contact before yesterday's dramatic action.

The potential embarrassment for Dr Mahathir is acute. As recently as last November, Mr Tan secured the leadership of the Malaysian Chinese Association, the country's principal Chinese political party, setting a protracted internal rift and promising greater stability for the ruling coalition.

Dr Mahathir, besieged by an economic downturn and the fallout from banking scandals, has wanted to call an early election in order to win a fresh mandate. Mr Tan's financial woes currently appear to make him a liability.

For several Singapore brokers looking ultimately to Mr Tan, the picture is unrelieved gloom. He now seems unwilling to meet the commitments he took over from Pan-Electric at the end of December to buy S$140m of shares, mainly in his own network of companies. Mr Tan indirectly holds a 22.6 per cent stake in Pan-Electric.

Moreover, in a problem unrelated to Mr Tan, up to S$144m worth of other forward share commitments by Growth Industrial Holdings, which holds 31.6 per cent of Pan-Electric, also seem unlikely at this point to be honoured, since GIH announced on Monday that it was ceasing operations.

A further blow to the Singapore broking community came on Monday night when it was forced to agree to the creation of a new seat on the local stock exchange for each of the big four domestic banks – Development Bank of Singapore, Oversea-Chinese Banking Corporation, Overseas Union Bank and United Overseas Bank.

At the time of the market's closure in early December, the banks established a S$180m "lifeboat" to ensure that the obligations of troubled brokers could be met. It was assumed then that the banks would take over businesses that collapsed or take a stake in others, but Monday's decision takes matters much further and few brokers will be able to compete directly with the banks.

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Further slide in £ raises threat of sharp rates rise

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

BRITAIN faces the threat of another sharp rise in interest rates following a further slide in sterling's value yesterday in response to continuing nervousness over oil prices.

Mrs Margaret Thatcher, the Prime Minister, told the House of Commons that, while the Government obviously did not like rises in interest rates, it was "bound to take action" to ensure that keeping down inflation remained its first priority.

Mr Neil Kinnock, the Labour Party leader, responded that Mrs Thatcher was the only person left who believed it was possible to fight inflation by subjecting British industry to a combination of high interest rates and a strong pound.

A number of economists forecast, meanwhile, that the Government's scope for tax cuts may now have been reduced to well under £1bn ($1.4bn) and perhaps removed altogether unless it is prepared to raise its public-sector borrowing target.

In the London money markets, wholesale interest rates edged higher, but the Bank of England signalled that it was not immediately prepared to lead an upward move in bank base rates from the present 12½ per cent.

There was intense speculation in London markets, however, that rates might be forced up to 14 per cent within the next few days unless there was an unexpected recovery in oil prices.

Yesterday, oil prices initially rebounded after Monday's sharp fall but then dropped to their lowest for six years.

The pound, which was thought to have been supported by official intervention after Monday's heavy losses, lost nearly 1 per cent of its value against a basket of major currencies and fell to a new low against the D-Mark.

Mrs Thatcher's remarks were clearly aimed at reassuring the markets that the Government would act if necessary to ensure that its inflation objectives were not jeopardised.

At the same time, however, there was some confusion in financial markets regarding the signals coming from the authorities.

The Bank of England's stance was being interpreted as suggesting that it was prepared to let sterling take the strain of market speculation as long as its weakness was reflecting lower oil prices.

One problem for the central bank is that last week it agreed to lend £1bn to the banking system at a fixed 12½ per cent interest rate, and the second tranche of that is due to be paid later today.

The Treasury's official view, however, has been that sharp falls in the exchange rate – whatever the cause – should be resisted to prevent an inflationary shock to the economy.

Foreign exchange dealers said yesterday that, with speculation against the pound now widespread, the danger was that, if the British authorities continued to resist a rise in base rates, then selling sterling would be seen as a "one-way bet."

The Treasury also risks jeopardising the credibility of its overall anti-inflation strategy if it was seen as trying to head off higher borrowing costs.

The problems faced by Mr Nigel Lawson, Chancellor of the Exchequer, have been compounded by the impact of falling oil prices on government revenues.

Mr Gavyn Davies, a senior economist at broker Simon & Coates, said yesterday that, on the basis of an average oil price of $20 a barrel over the next financial year and a sterling/dollar rate of $1.35, Mr Lawson may have a maximum of £750m for tax cuts in his March budget.

Other brokers said that, if the exchange rate averages $1.40, the scope for reductions would be eliminated completely.

The pound closed in London yesterday at $1.4070, down 0.85 cents from Monday, while losses against other currencies were reflected in a 0.7 point drop in the sterling index to 76.2.

Dominic Lawson writes: Trading in North Sea oil yesterday was extremely volatile, registering sharp rises, followed by a steep drop in later hours.

Opening at a price of $19.75 a barrel, March cargoes of Brent, the main North Sea crude, advanced steadily to $20.80, as traders in London decided that Monday's plunge below $20 a barrel was overdone.

But a statement by Mr Ali Attiga, the Libyan secretary general of the Organisation of Arab Petroleum Exporting Countries (Oapec), that the Organisation of Petroleum Exporting Countries should have a market share of about 18m barrels of oil a day – 2m b/d above its current output ceiling – caused oil prices to plummet on both sides of the Atlantic.

An April shipment of Brent was bought at a new six-year low of $19.15 a barrel.

Lex, Page 18; Money markets, Page 31

Kodak to re-enter 35 mm market

By Elaine Williams in London

EASTMAN KODAK, the world's largest photographic products group, is to re-enter the mainstream 35 mm camera market – now dominated by the Japanese – after an absence of 15 years.

Its announcement yesterday came in the wake of its defeat in a long legal battle with Polaroid over instant photography patents which has resulted in Kodak's enforced withdrawal from that market. The US-based group values its investment in instant photography plant and equipment at $230m.

It said yesterday it saw the 35 mm market as the only photographic sector with a growth rate in double figures. That was the main reason for its return to that market. It will, however, be selling cameras made in Japan.

Overall, Kodak is seeking to strengthen its position in three major market sectors. These are encompassed by 11 products, announced yesterday, including 35 mm compact cameras, its first venture in mini-processing labs – fast turnround film processing equipment small enough to fit into a chemist's or high-street outlet – and colour films and papers designed to provide more accurate colour reproduction.

Only the films will be manufactured by Kodak itself. The cameras have been developed for it by Chinon of Japan in which Kodak has a minority share interest. Three camera models will be introduced to the UK in July, and two others will be launched within a few weeks in the US. The prices of the UK models range from £40 up to £130, and features include automatic focus and integral flash units.

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Looking for a new exposure, Page 16

UK may cancel Nimrod and buy US aircraft

BY BRIDGET BLOOM IN LONDON

Mr George Younger

MR GEORGE YOUNGER, Britain's new Defence Secretary, is considering the possibility of cancelling the Nimrod early warning aircraft and buying instead the E3A Awacs aircraft, manufactured by Boeing of the US and already in service with Nato.

Mr Younger is under pressure from the Royal Air Force (RAF) to come to a rapid decision on the controversial project, which has already cost about £1bn ($1.4bn) and is likely to be well over three years late entering service.

The RAF believes that the lack of an effective early warning system leaves a critical gap in Britain's air defences. The RAF would like Nimrod to be replaced by the Awacs (advanced warning and control system) aircraft.

Mr Younger, who is being briefed on Nimrod as a matter of top priority, is expected to take the matter to Cabinet shortly.

He faces an acute dilemma. Whether he decides to continue with Nimrod or to replace it, the Defence Ministry will have to meet an additional bill of at least £500m-£700m to give the RAF the capability it needs. The ministry, however, is under great pressure from the Treasury to match its budget over the next few years to the diminishing resources now being allocated to defence.

The problem with Nimrod centers on the failure of its complex radar and electronics system, which is being developed by GEC Avionics, to work to the RAF's satisfaction.

GEC Avionics told Mr Michael Heseltine, Mr Younger's predecessor, just before Christmas that it would cost an extra £430m and take another three years to bring Nimrod's mission avionics to what the RAF terms an initial operating capability.

The RAF now believes that it could cost another £300m-£400m on top of that to bring Nimrod up to the full standard that Britain's air defences will then require.

No firm estimate of the likely cost of the Awacs to Britain is available since Mr Heseltine, apparently setting his face against the cancellation of Nimrod, had not authorised officials to seek alternatives.

Mr Heseltine resigned earlier this month after disagreeing with Cabinet policy over the handling of rival rescue plans for Westland, the ailing UK helicopter company.

He had just begun detailed conversations with Lord Weinstock, GEC's managing director, and Mr James Prior, its chairman, when the Westland affair intervened. Mr Heseltine, however, had told GEC that its estimates for completion of the development work on Nimrod were unacceptable. Mr Younger expects to see the GEC executives shortly to deliver the same message.

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Glaxo to liquidate baby-foods unit hit by salmonella cases

BY CHARLES BATCHELOR AND TONY JACKSON IN LONDON

GLAXO, the UK pharmaceuticals group, yesterday put into liquidation Farley Health Products, its troubled baby-food products subsidiary, to clear the way for the sale of the business.

Farley was forced to withdraw its entire range of products, including Osterfeed, Ostermilk and Complan, an adult diet supplement, from the market in December after a statistical link was established with an outbreak of salmonella poisoning.

Farley will be split into two separate subsidiaries, one of which will take over the milk products business in Kendal, north west England, which has been closed down, and the other which will take over the rusk and cereal business in Plymouth, which is operating normally.

Separating the two parts of the business will make them easier to sell, said Mr Michael Jordan, joint liquidator, of accountants Cork Gully.

Boots, the retail chemist which was negotiating the purchase of the Farley business until the salmonella outbreak, said it was very unlikely it would now be interested in the milk products side of the business.

A condition of the voluntary liquidation was a declaration from Glaxo that all creditors would be paid in full and that Glaxo would meet the total loss arising from the shutdown running into several million pounds.

Farley said the shutdown had destroyed its capital base, amounting to about £3.5m ($4.9m).

Farley's losses have been caused by refunds to customers who had bought its products, the removal of stocks from retailers' shelves and redundancy costs.

More redundancies might be needed at the Kendal factory, which had been shut since December 20 for tests on the source of the outbreak, Mr Jordan said. About 60 temporary and part-time staff out of a Kendal workforce of 320 have already been made redundant, and there is no indication yet of when the factory will reopen. A further 600 production, sales and headquarters staff work in Plymouth.

Farley made a pre-tax profit of about £4m on turnover of £40m in the year ended June 1985. Turnover is split equally between the milk and rusk product sides of the business. Farley declined to break down their respective profit contributions.

The Farley sale would leave Glaxo with only a handful of non-prescription products and its animal health business. It disposed of three non-core business activities last year, comprising drug distribution, surgical products and hospital furniture manufacture.

Glaxo employs about 23,500 people and made a pre-tax profit of £403m on turnover of $1.41bn in the year to June 1985.

Twenty-nine salmonella cases have been reported among babies who had been fed on Farley's, and traces of salmonella bacteria have been found both in Farley's plant at Kendal and in a packet of Farley's Osterfeed.

One baby affected by salmonella has died, though Britain's Department of Health is careful to point out that it is still unclear whether Farley products were involved

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France presses UK for Ariane satellite launch

BY DAVID MARSH IN PARIS

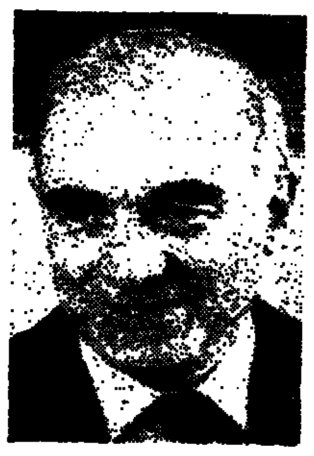
FRANCE is stepping up diplomatic pressure on Britain to persuade the UK Defence Ministry to launch the Skynet 4C military communications satellite with the European rocket Ariane rather than the US space shuttle.

Indications are however that the Defence Ministry, which says it needs to take a decision on the matter before the end of the month, will disappoint the French by opting for the US launcher.

Mr Jacques Viot, France's ambassador to the UK, has asked to see Sir George Younger, Britain's new Defence Secretary, to discuss the matter but has not yet been given a date for a meeting.

Mr Hubert Curien, the French Research and Technology Minister, tried to persuade Mr Michael Heseltine, the former Defence Secretary, of the need to launch the satellite with the French-led Ariane rocket during the last Anglo-French ministerial meetings in London at end-November.

The spacecraft is not due to be placed in orbit until late 1988 but a decision to book a firm launch slot needs generally to be made three years beforehand. The Defence Ministry has up to now merely made reservations with both Ariane and the space shuttle.



Mr Curien: Persuasion

France appears to be trying to use the Skynet affair as a touchstone of Britain's desire for European collaboration in the wake of Mr Heseltine's resignation over the Westland helicopter saga.

Even though the Skynet 4C craft is only in the early stages of being built—by a consortium led by British Aerospace, which also includes Matra of France — British officials say converting the satellite to make it capable of being launched by Ariane would cost £8m.

This is because the Skynet 4 series—the first two craft, A and B, are due to be launched with the shuttle this summer and early 1987—has been built to be carried in the shuttle's cargo bay.

British officials say the necessary modifications would include changing the aerial supports and adjusting the spacecraft for different levels of vibration and stress on board Ariane.

France has showed itself not satisfied with Britain's explanations so far, pointing out that most commercial satellite companies, including those from the US, spread their orders between the US and European launchers.

A further reason tipping the scales in favour of launch with the shuttle is the British Government's belief that this would allow a British astronaut to take part in the 1988 flight—not a possibility with the unmanned Ariane rocket.

Concern at cost of fast breeder

BY OUR PARIS STAFF

SUPERPHENIX, the French-led 1,200 mW fast breeder reactor, has finally started to deliver current to the European electricity grid. But Electricite de France (E of F), the French state utility which has a 51 per cent stake in the power station, has voiced concern about the expense of the project and warned that it wishes to lower its stake in the new European fast breeder planned for the 1990s.

Superphenix, which has cost FFr 25bn (£2.3bn) to put into operation after a controversial 11 years of construction at Creys-Malville near Lyon in the Rhone valley, will produce electricity at more than twice the cost of France's network of pressurised water nuclear reactors (PWRs).

Mr Marcel Boiteux, the EdF chairman, said that Superphenix was a "technological success but an economic disappointment."

The breeder, which burns a mixture of plutonium and depleted uranium normally discarded by the nuclear industry, aims to save energy resources by stretching considerably the useful life of the world's uranium reserves. The economics of fast breeders have been undermined in recent years, however, by slower growth in energy demand, a fall in uranium prices and a drastic scaling back of nuclear construction programmes.

Mr Remy Carle, EDF's equipment director, said the utility wanted its stake to fall below 50 per cent in a planned future fast breeder which would group the Italian, West German, British, Dutch and Belgian electricity industries.

Britain's Central Electricity Generating Board has a stake of only about 1 per cent in Superphenix but could be expected to increase its share perhaps to 16 per cent in any future project.

A decision on the future breeder will not be taken at least until 1987-88, raising doubts whether it would be completed this century. Superphenix, which is the world's first commercially operating breeder, will be undergoing further tests in coming months before going into full use towards the end of the year.

Starting on January 14, it has been delivering current not only to France but also to Italy, which has a 33 per cent stake in the project, and West Germany.

Mr Carle said European utilities were trying to interest electricity companies in the US and Japan in the future project but nothing concrete had yet been decided.

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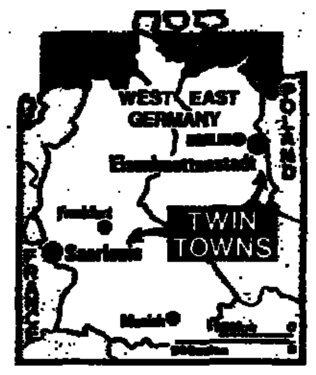


'Twins' help to bridge the German divide

By Our Bonn Correspondent

ANOTHER TINY milestone on the path towards more normal relations between the two German states has been reached with the agreement in principle on the first "twinning" agreement between towns in the two countries.

The towns involved are Saarlouis, in the state of Saarland close to the frontier with France, and Eisenhuettenstadt, just south of Frankfurt-on-the-Oder a few miles from East Germany's border with Poland.

The agreement owes not a little to the fact that the Saarland is run by a left-leaning Social Democrat (SPD) administration and is, moreover, the birthplace of Mr Erich Honecker, the East German leader. However, national politicians here are hopeful that it is a further pointer to East German readiness to allow easier human contacts between the two states.

Mr Manfred Heinrich, the mayor of Saarlouis, said yesterday that exchanges should not merely involve officials but, as with twinning agreements with other West European states, embrace school groups, sports teams and reciprocal holiday visits.

Whether events so transpire, remains to be seen. However, the Saarlouis/Eisenhuettenstadt agreement comes shortly after a cultural accord has been finalised between East and West Germany which now awaits the approval of the individual *Laender* (states).

There has been speculation here that its signature might prove the occasion for the keenly anticipated working visit to West Germany by Mr Honecker, originally set for September 1984 but called off after fierce Soviet pressure on the East German leader.

W. German property giant wants state aid, writes Rupert Cornwell

Cash tremors rock union edifice

THE WEST GERMAN labour movement, weakened and already embroiled in conflict with the Government over planned changes in the country's strike law, is now being forced to tackle a still more embarrassing difficulty—the deepening financial plight of Neue Heimat, its giant property and construction group.

What is claimed to be Europe's largest housing concern has been forced recently to deny reports that it is on the brink of collapse. The Bonn government has already rejected its feelers about a possible bail out.

At the same time, rumours are multiplying that the DGB, the central union federation, and its 17 member unions are examining sweeping changes in the structure of their massive financial and industrial holdings, to help ease the problems created by Neue Heimat.

THE RULING centre-right coalition here is showing the first signs of a readiness to compromise on its bitterly contested plans to tighten the existing strike laws in West Germany, writes Rupert Cornwell.

The amendment, which would have the effect of severely restricting the right of workers laid off as a result of a strike to claim unemployment benefits, has been greeted with outrage by the union movement. Equally seriously, it has caused much unease in the wing of the Christian Democrat party of Chancellor Helmut Kohl which traditionally draws support from the working vote.

These doubts surfaced at the weekend most visibly, in a tense meeting of the CDU's social affairs representatives, chaired by Mr Norbert Bluem, the Labour Minister. Senior party spokesmen now accept the possibility of changes in the amendment's text, although they maintain that its broad thrust must remain intact.

For their part the unions are divided on how to proceed. While militant unions like IG Metall, the 2.5m-strong engineering workers grouping, favours all-out protest, this course is opposed by more moderate unions like the chemical workers, who believe that a co-ordinated "action day" by all 17 member unions of the central labour federation would be unconstitutional.

The troubles stem from excessive land buying and development in the late 1970s, based upon a misreading of the property market. Neue Heimat's former management was replaced in 1982.

Mr Diether Hoffman, summoned that year to re-organise the concern, has since pursued a controversial policy of selling off part of its housing stock to restore its finances. Since 1982 some 50,000 homes have been disposed of, staving off the day of reckoning, but the group is still losing money heavily.

At the end of 1984, Neue Heimat's debts totalled DM 17.8bn (£5.1bn). Most of it is long term, and secured against property assets. The real worry involves DM 1.7bn of short term borrowings, to which 40 creditor banks are committed only until the end of 1986.

But the greatest embarrassment is the timing of this latest airing of the group's difficulties, which threatens to deflect attention from the union's battle to thwart the Government's plan to tighten legislation against strikes.

The union movement is the natural ally of the opposition Social Democrat (SPD) party, which has long been upset at Neue Heimat's sell-off policy, which has pushed up the rents of low income tenants who normally support the party.

Now, the SPD also faces the dismaying prospect of being discredited by the long running debate over Neue Heimat just as it gears up to fight a tough campaign for the Federal election of January 1987. The signs are that the ruling centre-right coalition intends to exploit the affair for every vote it can get.

Chancellor Helmut Kohl has already turned a deaf ear to a plea from Mr Hoffmann that central Government should step in. Mr Gerhard Stoltenberg, his tight-pocketed Finance Minister, has gone further, suggesting the unions would be better employed "giving DM 1bn to help Neue Heimat, instead of frittering away the money on demagogic protest" against the mooted new strike law.

Despite the fact that municipalities up and down West Germany have frequently worked with Neue Heimat on communal housing projects, the view of the Government is that it is up to the unions, as the owners of the concern, to put its finances in order.

The unions have already injected some DM 1.5bn into their problem child however. With both sides rejecting the obvious simple trade off—a state rescue for Neue Heimat in return for uncontested passage for the strike Bill—the labour federation is having to look elsewhere for an answer.

One idea being canvassed is for the housing group to be split up into nine separate entities, each covering a single *Land*, or state. A second is that foreign banks exposed to Neue Heimat should have their loans taken over by domestic banks, thus permitting a purely "German" solution to the crisis.

An alternative possibility, into which the magazine Der Spiegel has ventured in great detail, is a partial flotation, or sale of the considerable other interests held by the union movement's central holding company, Beteiligungsgesellschaft fuer Gemeinwirtschaft (BGAG).

A step said to have been explored (and allegedly vetoed by the Federal Cartel Office in West Berlin) is the disposal of BGAG's controlling stake in the Volksfuersorge Lebensversicherung insurance group, capitalised at DM 180m and with total balance sheet of DM 62.7bn. Another might be a public stock market offering of a third of the DM 1bn capital of the union-owned bank, Bank fuer Gemeinwirtschaft, whose balance sheet at the end of 1984 stood at DM 48.1bn.

Both interested parties have issued denials, in peremptory terms at the very notion that labour might have to resort to the devices of capital to get itself off its financial hook.

The outrage however is not entirely convincing. For few doubt that if the Government remains aloof, something out of the ordinary will have to happen if the latest chapter of the Neue Heimat affair is not to be the last.

Czechoslovakia eases curbs on dissidents

BY LESLIE COLITT IN BERLIN

THE CZECHOSLOVAK authorities have relaxed measures against the Charter 77 dissident movement prior to holding a Community party congress in late March.

Supporters of Charter 77 said their long disconnected telephones were re-installed recently, while confiscated typewriters have been returned by the police. A spokeswoman Mrs Anna Sabatova said fewer "repressive" police methods were being used. The Government appeared to want to demonstrate that it was in harmony with the population in the weeks leading up to the congress.

The Government yesterday gave one of the country's leading poets, Mr Jaroslav Seifert, a state burial. Mr Seifert, who won the Nobel Prize for Literature in 1984, was a signatory to Charter 77.

Thousands of citizens who idolised him attempted to gain access to the funeral service.

The recent permission given to a prominent Czechoslovak exile to visit his homeland was also seen in Prague as a change in the Government's approach to dissidents. Mr Milan Horacek, a member of the West German Parliament for the Greens party, was stripped of his Czechoslovak citizenship in 1980 as a Charter supporter. He was allowed to visit his family in Moravia and to hold group meetings with leading Charter activists in Prague.

It was unclear whether the relaxation by the authorities included religious activists who were reported arrested or put on trial late last year for illegally printing religious literature and trying to smuggle Bibles into the Soviet Union.

Mr Vasil Bilak, a leading member of the ruling politburo, made a rare mention of Charter 77 last month when he said the "anti-state" group represented no-one in Czechoslovakia and was listened to only by those who were paid by "anti-Communist centres."

Wage talks put off until after French election

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government yesterday postponed negotiations on wage increases for public employees this year until after the general election in March.

At the same time it announced that public employees would receive in their February pay packets an extra FFr 560 or so to make good losses in purchasing power they suffered last year. The increase is in line with the 1985 wage settlement.

By putting off negotiations covering France's 6m public employees and those retired from the public service, the Socialist government has deliberately passed on a difficult task to the right-wing government expected to take power after March. However, the Right itself adopted the same practice prior to the general elections of 1973 and 1978 and the presidential elections of 1981.

The task will be all the more tricky for the next administration because the phasing of wage increases for public sector employees during 1985 means that there will be little to give away if this year's inflation targets are to be met.

In practice a right-wing administration would only be able to afford an increase of 0.13 per cent in the total wages paid to public sector employees this year if it is to hold the increase in wage costs for 1986 to 3 per cent.

Unions were broadly pleased with the Government's decision to make good last year's loss in purchasing power. In both 1983 and 1984 pay declined in the public sector in real terms.

The mechanism that the Government yesterday chose for allocating the addition favours the lower paid, who will have received an increase of 7.5 per cent between December 1984 and December 1985. Those on higher salaries will have been given an increase of 4.7 per cent in line with the realised inflation rate.

Europe resists US call for sanctions against Libya

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

US EFFORTS to persuade its European allies to adopt economic and other measures against Libya in retaliation against Tripoli's alleged support for Palestinian terrorist activities is meeting a mixed response.

Mr John Whitehead, the US Deputy Secretary of State, who is currently touring European capitals in an effort to drum up support for Washington's hard line on Libya, has so far failed to win any backing for economic sanctions against Libya.

West Germany yesterday joined Britain in reiterating its refusal to adopt economic sanctions, but Mr Martin Bangemann, the Economics Minister assured Mr Whitehead that Bonn was already reducing its trade links with Libya.

Mr Whitehead has found more support for joint action to combat international terrorism. Italy and Spain have agreed that their policies towards Libya should be part of a joint European Community initiative, Mr Bettino Craxi, the Italian Prime Minister said in Sicily yesterday.

Mr Craxi, speaking at a news conference after two days of talks with Mr Felipe Gonzalez, his Spanish counterpart, said Italy and Spain had very similar views on the issue. "We hope that a clear, effective and useful European stance (on Libya) will emerge.

"We must deprive organisations using terrorist means of oxygen, space and support," the Italian Prime Minister added, referring to "organisations that have proved how dangerous they are in several European countries, including our own."

Meanwhile, Austria yesterday announced visa requirements for Tunisians and diplomats from certain countries in a move to increase security following the recent terrorist attacks at Vienna and Rome airports. Though the "certain countries" were not identified, they are understood to include Libya.

Andriana Ierodiaconou adds from Athens: A diplomatic rumpus has broken out between Greece and the US over statements on the subject of Libyan-backed terrorism made at the end of an official visit to Athens this week by Mr Whitehead.

Mr Whitehead provoked an indignant denial from the Greek Government on Monday after his statement that his Greek colleagues recognised the involvement of Colonel Muammar Gadaffi, the Libyanleader, in many recent terrorist attacks. None of the Greek delegates to the talks which the US official had in Athens recognises such an involvement, a government spokesman said.

Euro-poll finds scant community of opinion

By Quentin Peel in Brussels

PUBLIC OPINION in Denmark is consistently the most hostile in the EEC to any measures towards strengthening Community institutions and moving towards European unification, according to the latest opinion poll.

Yet a clear majority in the country recognises that Denmark has benefited from EEC membership — in sharp contrast to the British, who believe they have suffered from it.

When it comes to deciding whether membership is good or bad, more than one in three (35 per cent) Danes say it is good, 27 per cent say bad, and 27 per cent cannot decide. The EEC average is 60 per cent in favour, and only 12 per cent against.

The latest issue of Eurobarometer, the opinion poll commissioned by the European Commission, underlines the divided and equivocal attitudes of EEC citizens towards the Comunity.

Worried

It shows just why Denmark is worried about the latest package of cautious reforms intended to reinforce Community institutions and streamline decision-making.

Even on such an apparently innocuous issue as making all EEC frontier signs the same, the Danes are opposed by 43 per cent to 27 per cent. Both British and Greek opinion is marginally in favour, while the rest of the Community is decidedly enthusiastic.

Denmark is the only member state where a majority still prefer the name Common Market to that of European Community. In the UK, 46 per cent opt for the Community title, against 34 per cent for the Common Market —suggesting a switch away from seeing the EEC as no more than a glorified free trade area.

The opinion poll assesses the views of Spain and Portugal on the eve of their accession on January 1—showing that Spanish people are decidedly more enthusiastic about their prospects: 57 per cent believe membership to be a good thing, against only 42 per cent of Portuguese.

The opinion poll throws up one surprising result on a key issue in the recent reform debate — whether more decisions should be taken by majority voting rather than unanimity.

Lukewarm

A majority in both Denmark and Greece is predictably in favour of unanimity, which would give individual states an effective power of veto.

Next most lukewarm about majority voting is Italy (excluding Spain and Portugal where many don't know): 48 per cent favour majority voting, but 40 per cent want to keep unanimity.

In Britain, regarded as an opponent of reform, 53 per cent want a majority voting, against only 38 per cent holding out for the old system.

Apart from attitudes to European institutions, the poll shows that EEC citizens are gradually getting more optimistic about economic prospects: for the first time in five years, the number thinking 1986 will be better outnumber those who fear it will be worse than 1985.

Italy, Canada may join Group of Five talks

BY OUR FOREIGN STAFF

FRANCE has held out the possibility that Italy and Canada may be invited to future meetings of the so-called Group of Five finance ministers which has emerged as an informal steering group for decisions on interest rates and the dollar.

Mr Pierre Beregovoy, French Finance Minister, reporting on last weekend's Group of Five session in London, said yesterday that France would be in favour of participation by both countries. He believed the US was also in favour.

The Rome and Ottawa governments, which take part in the annual summits of the top seven industrialised countries, complained in advance of last weekend's meetings about their exclusion.

In Taormina, Sicily, yesterday Mr Bettino Craxi, the Italian Prime Minister, said he had received a letter from President Ronald Reagan about Italy's future participation in meetings of the group.

He told a news conference: "I have today received a letter from President Reagan on this subject and I believe that we are approaching a satisfactory solution."

Italy has been particularly upset over the impact on the value of the lira of the previous Group of Five session in New York in September, which decided a co-ordinated fall in the dollar.

Canada was also irritated that in September, decisions affecting its domestic economy and interest rates were taken without consultation.

A Canadian Finance Ministry said yesterday that unlike Italy, Ottawa had not received a message from the US. The two countries' role in the Group is known to have been discussed at last weekend's meeting but, according to the official, "We haven't been told whether they came to any conclusion."

Canada has relied largely on US and British officials for a "de-briefing" on the London meeting. Canada's Finance Min-

Mr Bérégevoy said the Group of Five's composition was decided on the basis of countries whose currencies made up the Special Drawing Right. But the Group was not a "directorate" for the international monetary system, he said.

Mr Bérégovoy added that falling inflation in the five countries wh'.h participated in last weekend's meeting—the US, Japan, West Germany, France and Britain—prepared the ground for cuts in interest rates, although the timing of cuts was uncertain.

Cautious German support for Baker plan

BY JONATHAN CARR IN BONN

WEST GERMAN banks have expressed cautious support for the US-sponsored Baker plan to ease the developing world's debt problems, calling it a "positive and constructive" initiative.

In a guarded statement yesterday the banks said they were ready to "consider positively" putting up funds to help back the scheme on a case by case basis. But they also stressed that governments and international institutions must play complementary roles too, for example through official debt rescheduling accords and export credit facilities.

The statement, addressed to the World Bank and the International Monetary Fund (IMF), was made on behalf of some 40 credit institutions responsible for most of the West German commercial bank lending to the debtor nations.

It comes more than three months after Mr James Baker, the US Treasury Secretary, first proposed his scheme and well after expressions of support by banks in other key creditor countries, including the US and Britain.

While the "big three" banks —Deutsche, Dresdner and Commerzbank—have long been broadly agreed on the need to declare support for the scheme, it has been hard to forge a common line with regional and other credit institutions.

Under the Baker plan, commercial banks would make $20bn in new lending available to 15 particularly needy states over the next three years. This would be flanked by support from institutions including the World Bank. The West German banks broadly agree with one key aim of the scheme, which is to encourage economic growth in the debtor states and thus—hopefully—to help them pay their way.

But the statement now issued does not imply that they are agreed on all details of the plan, rather that they see it as a starting point for negotiation. For example, it is not clear how the burden of new lending will be shared. As the Baker scheme now stands, West German banks would have to put up some $1.5bn.

Irish bank calls spending curbs inadequate

BY HUGH CARNEGY IN DUBLIN

GOVERNMENT EFFORTS to curb public expenditure and limit Ireland's heavy domestic and foreign borrowing are criticised as inadequate in the Central Bank of Ireland's quarterly report published today.

Debt servicing on external borrowings grew from I£250m (£215m) in 1981 to I£780m last year. This, coupled with repatriation of profits by foreign companies approaching I£1bn, has kept the balance of payments in deficit despite strong export performance, the report said.

The total external deficit has fallen from I£1.6bn in 1981 to an estimated I£500m in 1985. But this is still high by international standards, accounting for 3 per cent of GNP, it said.

Benefits from weakening oil prices and favourable exchange and interest rates might only be transitory, it added.

It is essential that domestic policies have regard to the external position and, consequently, that fiscal policy should be directed to the elimination in the shortest possible time of the current budget deficit."

The 1985 budget deficit was I£1.3bn, or 8.5 per cent of GNP, the highest ever. Total borrowing requirement was I£2bn, or 13 per cent of GNP.

The report forecast a further fall this year in inflation, which averaged 5.5 per cent in 1985. It predicted a 5 per cent rise in manufacturing output, compared with 4.5 per cent last year and 13.25 per cent in 1984.

Unemployment, the highest in the EEC, most likely to rise slightly over its 1985 average of 17.5 per cent.

● Irish building societies yesterday raised their standard mortgage rate to 11.7 per cent from 9.75 per cent following a recent similar rise in bank deposit rates.

Italian balance of payments in L8,518bn deficit

By Alan Friedman in Milan

ITALY had a L8,518bn (£3.6bn) balance of payments deficit last year. This compares with a L57bn surplus the year before.

Bank of Italy figures show that total net reserves fell by L4,572bn in December alone. That month the Italian authorities spent heavily to defend the lira against speculation. It was that speculation which led to last week's package of measures including higher bond rates and the reimposition of tight controls on bank lending for six months.

Official reserves declined by L13,684bn over the year to L65,672bn. These included L39,530bn of gold and L16,402bn of foreign currency.

The 1985 balance of payments deficit resulted partly from a record trade deficit, which for the first 11 months of last year totalled L21,091bn. Mr Bettino Craxi, the Prime Minister, said in an interview published yesterday that he hoped the trade deficit would be "halved" this year.

The defence of the lira clearly took its toll on the balance of payments, as did the net capital outflow from the banking system of L5,166bn.

Cockfield seeks to speed EEC plans for food rules

BY IVO DAWNAY IN BRUSSELS

LORD COCKFIELD, the EEC's Commissioner for the Internal Market, yesterday called on the Community's agriculture ministers to act swiftly to approve new plans for harmonising food regulations.

Four draft directives aimed at cutting through years of argument over highly divergent national food legislation are due to be published shortly.

The Commissioner believes these potentially controversial plans must win ministerial approval by the end of this year in order for his 1992 deadline for completion of a free market to be met.

Mr Gerrit Braks, the Dutch president of the Farm Council, welcomed Lord Cockfield's outline presentation yesterday and gave assurances that the farm ministers would treat the issue as a top priority.

The new directives establish a new, more liberal basis for Community food law which would legitimise products for sale throughout the Community if they have passed safety standards in any one member state.

The framework directives will cover additives, materials in contact with food, foods for particular nutritional purposes and labelling.

Greens plan Budapest protest

BY PATRICK BLUM IN VIENNA

ENVIRONMENTALISTS from Hungary, Austria and West Germany are to stage a joint "ecological walk" through the centre of Budapest on February 8, in protest at the planned construction of a large hydro-electric dam across the Hungarian stretch of the Danube.

It is the first time that independent "Green" movements from East and West have agreed to wage a united campaign in a Communist country. Mr Gunther Nenning, a leading Austrian Green, said yesterday that the dam would destroy the Danube river bank environment and threaten fish and drinking water.

Last week end M Nenning and other leading Greens from the three countries, held an open meeting in a Budapest restaurant and signed a declaration that they would "use all democratic, peaceful and constitutional means" to try to change the Hungarian and Austrian governments' attitude about building the dam at Nagymaros between Budapest and the Austrian border.

It is part of an ambitious project involving the network of dams to be built jointly with Czechoslovakia. Austria, which has been forced to shelve its own plans for a large dam at Hainburg near the Czechoslovak border after strong domestic opposition, has agreed to provide the bulk of the estimated Sch8bn (£326m) cost. In return, it will receive electricity and Austrian companies and workers will carry out about 70 per cent of the work, some of which has already started.

Hungary is the only Communist country to tolerate an independent Green movement. The Hungarian Greens, under the name of the Danube Circle, have been allowed to campaign against the dam although they are not recognised legally. Environmentalists in neighbouring Czechoslovakia have not had the same freedom.

Next month's street march is aimed at making the Vienna and Budapest governments "recognise the true interests of all the peoples of the Danube," Mr Nenning said.

OVERSEAS NEWS

Roger Matthews, Middle East Editor, examines Moscow's long-term policy to extend its influence in the Arab world

South Yemen unsettles Soviet strategy

THE TEN days of fighting between rival Marxist factions in the People's Democratic Republic of Yemen is for the moment an embarrassment to the Soviet Union. But Moscow must also be reassured that whichever group eventually establishes control it will make little difference to the closeness of bilateral relations.

South Yemen is the only Arab state that is avowedly Marxist. Since independence from Britain in 1967 it has pursued domestic policies that were both radical and militant and, unlike in many other emergent nations, its civilian politicians have generally kept military commanders in a subservient role.

The strong ideological similarities between Moscow and Aden have underpinned the relationship to a degree that the Soviet Union has been unable to achieve anywhere else in the Arab world. But at the same time it has severely limited the capacity of Aden to be used as a Soviet springboard into other Arab countries.

However, in the past few years under President Ali Nasser Mohammed, whose grip on power now appears ever more tenuous, South Yemen had been pursuing a more pragmatic foreign policy and had encouraged its conservative Arab neighbours to believe that its desire for critically needed development funds was softening its ideological aggression.

Its tentative rapprochement with strongly pro-Western Sultan Qaboos in Oman opened the door for the Soviet Union to establish diplomatic relations with Oman last autumn. The United Arab Emirates is planning a similar move, which would mean that three of the six-member Gulf Co-operation Council had formal ties with Moscow.

There is little likelihood of Saudi Arabia making a similar move in the near future, but the Soviet successes have to be seen against the background of President Reagan's initial determination to create a "strategic consensus" in the Gulf aimed at checking perceived Soviet encroachment.

The conservative Gulf oil producers rejected President Reagan's assessment of the Soviet Union as the main threat to regional stability and, with the exception of Oman, declined to provide base facilities for US rapid deployment forces. While privately welcoming a strong US naval presence just over the horizon, the Gulf monarchies still fear that the close association of Washington with Israel poses a greater threat to their internal stability.

It is a view not restricted to the Gulf countries. Soviet diplomatic gains in the Middle East have invariably been made in support of Arab nationalist ambitions, particularly with regard to the Palestinians, rather than from any other benefits which the Arab countries believe they derive from the relationship.

Former Egyptian President Anwar Sadat ejected Soviet personnel from his country in 1972, once he felt confident that his armed forces were well enough armed to launch the October war against Israel the following year.

Moscow would be right to fear that its present close links with Syria would be similarly vulnerable once Damascus had at least partially achieved its regional objectives. Neither can there be much Soviet satisfaction in its relationship with the mercurial Col Gadaffi of Libya, apart from the hard currency benefits of substantial arms sales.

There are other obstacles which the Soviet Union has to overcome. As Iran has shown in the past six years, the rise of Islamic fundamentalism is every bit as threatening to an atheist, Marxist philosophy as it is to the West. The Soviet occupation of Afghanistan is always prominently on the agenda of the 45-nation Islamic Conference Organisation, and even purported friends such as Syria continue to supply arms to Eritreans fighting to secede from Soviet-supported Ethiopia.

Soviet attempts to promote local Communist parties in countries where they do have influence have also rarely proved successful. The ruling Ba'ath parties in Syria and Iraq, for instance view with instinctive suspicion any Soviet attempt to interfere domestically.

The Soviet Union seems equally powerless to resolve the differences within the Palestine Liberation Organisation (PLO) and in particular the feud between its chairman, Mr Yassir Arafat and President Hafez al-Assad of Syria. Just as Moscow was uncertain of which faction to back in the Aden fighting, so it is unable to make up its mind where it stands on PLO divisions.

Both superpowers have to accept that inter-Arab divisions are one of the prices that has to be paid for Middle East involvement but, because of the region's economic and strategic importance, neither wishes to miss an opportunity. Neither has sensed such an opportunity during the five years of the Gulf war between Iran and Iraq, linked as they are by the common fear of the Islamic Republic. But the Soviet Union appears to feel far more threatened by the possibility of the US orchestrating negotiations on the Palestinian issue which exclude its allies and guarantees Israel's regional military dominance.

While Arab friends of the US occasionally turn to Moscow for military supplies—as in the case of Kuwait and Jordan, because of frustration at the unsympathetic attitude of the US Congress—the Soviet military capacity in the Middle East remains very secondary to that of the US.

The naval facilities it enjoys in Aden are important to Moscow in that they lie at the mouth of the Red Sea and ultimately control access to the Suez Canal. But, when it comes to the overall capacity of the US, its Arab allies and Israel, to intervene militarily in the region, there is little comparison between the superpowers.

The long-term Soviet hope lies in its belief that the actions of Israel will ultimately poison Arab relations with Washington and that the monarchies of the Gulf are anachronisms which will be unable to withstand the pressures of modernisation. For Moscow, the fighting in Aden is probaly little more than a hiccough, and one, through its assistance in evacuating other foreign nationals, has even won it some international credit.

The evacuation of expatriates from South Yemen continued yesterday as fighting died down in Aden amid clear indications that rebel forces were consolidating their control of the capital eight days after their coup attempt against President Ali Nasser Mohammed, writes Our Middle East Staff.

Diamond Princess, a British merchant vessel, rescued nearly 200 Europeans from a beach near the port of Mukalla in the east of the country about 300 miles east of Aden.

It changed its course while en route for the Sudan, at the request of the British Ministry of Defence, according to the owners Polly Park International. The refugees are to be transferred to HMS Newcastle.

The royal yacht Britannia continued its rescue operation, picking up 15 people from Little Aden after being ferried to it by a harbour tug.

The Ministry of Defence calculated, though, that there were still another 600 foreign nationals, including two to three dozen Britons, waiting to be rescued.

"Negotiations are under way to secure their evacuation," a department official in London said yesterday.

"It is not clear who is in charge and although Aden itself is relatively quiet, it is still not safe," he added.

Soviet, and French, as well as British ships, were waiting in international waters off Aden for authorisation to evacuate more foreigners. About 3,000 foreigners about two-thirds of them Soviet citizens have so far been rescued.

Following his return from Ethiopia at the weekend Ali Nasser Mohammed is in Abyan, his home province about 100 miles east of Aden, according to diplomats in Sanaa, the North Yemen capital.

Egypt's official Middle East News Agency reported that he had spoken on the telephone with President Chadli Benjedid of Algeria, President Hafez al Assad of Syria and Colonel Muammer Gaddafi, the Libyan leader.

Refugees arrive in Djibouti aboard a Soviet ship after their evacuation from strife-torn Aden.

Car bomb in Christian Beirut kills 27

By Nora Boustany in Beirut

A car bomb in Beirut devastated a busy Christian shopping street yesterday killing 27 as Damascus tightened political and military pressure against the Lebanese President Mr Amin Gemayel.

A parked car blew up at a corner some 30 yards from a Phalange Party office, tearing down facades of nearby buildings and trapping motorists in blazing cars.

Dazed residents looked for relatives among smouldering cars and Red Cross workers heaped victims on stretchers in an all-too familiar scene.

The 250-kilogram blast gouged a 3.5-metre-deep crater in the ground. The apparent target was a nearby branch office of the Phalange Party.

The carnage, caused by Beirut's first car bomb this year, followed bloody inter-Christian fueding which led to the ousting of a Christian militia commander and torpedoed a Syrian-brokered peace accord among warring Lebanese factions.

Moslem leaders returning from the Syrian capital stressed that the boycott of Mr Gemayel was a foregone conclusion. Former finance minister Mr Elias Saba, a Christian Greek Orthodox, also back from Damascus, pointed out that "there could no longer be a solution with Amin Gemayel at the helm."

Lesotho delegation in S. Africa talks

BY ANTHONY ROBINSON IN MASERU

A DELEGATION of the Lesotho military council which siezed power in a bloodless coup on Sunday night, flew to Cape Town yesterday for talks with Mr Pik Botha, the South African Foreign Minister aimed at restoring normal relations between the two countries.

The delegation was led by Major General S. J. Molapo, commanding officer of the security forces and head of intelligence and Major General Shadrack Metela, the commissioner of police.

It included Mr E. R. Sekhonyana, planning minister in the deposed government of Chief Leabua Jonathan and the former Foreign Minister who is noted for his pragmatic line towards South Africa.

Gen Justin Lekhanya, the leader of the military council, stayed in the capital Maseru which was calm yesterday after the jubilant street demonstrations which greeted the coup on Monday. However, armed soldiers singly and in pairs continued to patrol the capital.

Former government ministers remained at their homes. Many of them are expected to resume their functions under the military council but at least four ministers most closely associated with Chief Jonathan's more radical policies are expected to lose their jobs.

They are Mr Vincent Makhele, the former Foreign Minister, Mr Francis MathoIoane, the former Minister of Rural Development, Mr D. P. Makoae, the former Minister of Agriculture and Mr Desmond Sixishe, the former Minister of Information.

All were closely associated with the North Korean armed and trained youth league of the Basuto National Party which was disbanded after units of the 1,500-strong paramilitary force led by Gen Lekhanya surrounded Government offices last Wednesday.

Despite the expected purge of radical elements in the former goverment. Gen Lekhanya indicated that the military council did not plan a witch hunt of former government supporters.

White South African industrialists yesterday called for the abolition of apartheid and urged that political rights and freedoms be extended to all races, AP reports from Johannesburg.

The Federated Chamber of Industries, one of the country's biggest employer groups, said the black majority should have the vote and share in power "up to the highest level," but that "the rights of minorities" should be protected. The industrial group, issuing proposals that it said made up a charter for reform, said negotiations on the country's constitutional future should be started.

It said steps necessary to bring about negotiations could include the release of political prisoners.

In a brief announcement on Radio Lesotho yesterday, he pledged to continue along a path of national conciliation and "humbly implored" civil servants to remain at their posts and work diligently for the good of the people.

Another sign of returning normality was a reduction in the former 12-hour curfew to a shorter period between 8 pm and 5 am.

The South African authorities also allowed another freight train across the Caladon River border bridge into Maseru yesterday and a stream of trucks laden with foodstuffs left the railway depot throughout the day after the three-week economic blockade by South African police. Road traffic, however, was still subject to lengthy security checks.

Radio South Africa yesterday welcomed the overthrow of Chief Leabua Jonathan and accused him of sowing dissension in southern Africa. The radio commentary, which reflects government views, said his support for the outlawed ANC, the main guerrilla group fighting white dominance in South Africa, had proved his downfall, Reuter reports from Johannesburg.

Marcos backs down from Ver retirement plan

By Samuel Senoren in Manila

PHILIPPINE President Ferdinand Marcos yesterday appeared to back off from an earlier statement that he planned to retire armed forces chief General Fabian Ver who turned 66 on Monday.

In a campaign sortie in southern Luzon last week, Mr Marcos had said he "will probably" retire General Ver before the February 7 poll.

Yesterday, he told business leaders in the financial district of Makati: "You don't retire a Chief of Staff whose leave of absence has caused difficulties in the armed forces."

General Ver went on leave in late 1984 after he was indicted with 24 soldiers and civilians for complicity in the murder of opposition leader Mr Benigno Aquino in 1983.

He was acquitted last month and was immediately reinstated by Mr Marcos despite opposition from Washington.

Mr Marcos admitted there was "factionalism" in the armed forces without mentioning the leaders. It is widely believed that one faction is loyal to General Ver and the other to Lieut General Fidel Ramos, the deputy chief. However, both had previously denied the existence of a rift in the military.

In his address, Mr Marcos, who is being challenged by Mr Aquino's widow Mrs Corazon Aquino, exuded confidence of winning the February 7 poll.

Outlining his economic programme before the same business group which wildly cheered Mrs Aquino two weeks earlier, Mr Marcos told them he would forgo new taxes this year if re-elected.

He also said he would prohibit the growth of monopolies whose abolition was demanded by the International Monetary Fund in return for continued support.

He said he would pursue the economic stabilization program worked out with the IMF in late 1984.

Much of the Mr Marcos' optimism, however, will depend on the conduct of the poll next month.

If the election is perceived to be fair and clean, regardless of who wins, a turnaround in the economy can be expected this year.

Bank merger off, Page 23

Inflation soars to 65-year high

South African inflation has soared to its highest level for 65 years and economists yesterday voiced fears about the impact of prices rises on the beleaguered economy, Reuter reports.

The steep rise in the rate of inflation announced yesterday—to an annualised 18.45 per cent in December from just under 17 per cent in November—took many economists by surprise.

Mr Rob Lee, chief economist for a South African insurance group, called the rise "pretty disturbing." The December figure was the highest since 1920, when the country was caught in a worldwide inflationary spiral after World War I, he said.

The country's currency, the rand, has been forced down from 85 US cents in March 1984 to just over 35 cents last August, pushing up the price of imported goods.

A partial freeze was imposed on debt capital repayments in September, and the rand has since recovered to above 43 cents. But economists expect inflation to remain high.

Reagan to resist further cuts in defence spending

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan yesterday warned top Republican congressmen that the Soviet Union would be watching the forthcoming debate over the federal budget deficit to see whether the US is prepared to maintain an adequate level of defence spending.

The President clearly signalled that he is determined to fight for his political agenda and to resist further cuts in defence spending or tax increases.

Mr Larry Speakes, White House spokesman, said the President had told Republican officials that he would next month propose a budget which would hit the $144bn target without raising taxes, compromising national defence or hurting the needy.

His remarks came as Congress reconvened yesterday for what promises to be a turbulent session, that will help to determine not only the outcome of the mid-term elections in November, but also the climate in which the 1988 presidential election campaign will be fought.

Mr Reagan made it clear that he intends to take a hard line in the negotiations over the 1987 budget. The passage of the Gramm-Rudman-Hollings budget reform law which calls for a budget deficit of no more than $144bn in 1987 compared with projections of over $200bn for 1986, has helped to ensure that the battle over spending priorities will dominate the political agenda this year.

If Congress is unable to achieve the $144bn target then the new law calls for automatic spending cuts to be put into effect, divided equally between defence and non-defence programmes not specifically exempted.

On Capitol Hill, Mr Reagan's budget proposal is dismissed as being politically unrealistic and a manifestation of the White House's traditional tough negotiating strategy.

The question being asked is whether Mr Reagan will be prepared to compromise in order to ensure that after four years of stalemate a meaningful deficit-cutting compromise is worked out, and if so, how and when progress will begin to be made.

There is widespread agreement on Capitol Hill voiced again by Senator Pete Domenici, the Republican chairman of the Senate Budget Committee that some form of tax increase will be neded as part of a deficit-cutting compromise. Mr Bob Packwood, the chairman of the Senate Finance Committee, the man who will oversee the progress in the Senate of the tax reform package the President wants, argues however that any Bill the committee reports out would not be a vehicle for raising taxes.

On foreign policy issues the White House is expected to again press for Congress to approve a military aid package for rebels seeking to overthrow the Sandinista government of Nicaragua and to try to overcome opposition to arms sales to Jordan and Saudi Arabia.

Ann Charters reports on a woman's audacious attempt to bring order to the debt-ridden city of Fortaleza

Brazil's reforming mayor throws down a challenge

MS MARIA LUIZA FONTANELLE, the newly elected mayor of Fortaleza, Brazil's fifth most populous city, is overturning all political conventions and challenging the continued conservatism of government since the end of military rule last year.

She took office on January 1 but has wasted little time in making her mark. Her most controversial action has been to back striking municipal workers who yesterday shut down services in this northeastern city. Her aim is to lay the blame for the chaos in municipal finances she inherited firmly at the feet of the Federal Government in a meeting she is due to have with President Jose Sarney tomorrow.

She is calling on the government to absorb Cruzeiros 500bn ($44m) in debts accumulated under previous civic administrations and federal monies to pay past due wages and year-end bonuses for the striking workers.

Meanwhile, caught in midsummer with thousands of tourists toasting on nearby beaches, Forteleza is also filling up with one week's uncollected garbage as the mayor trades claims of corruption and payrolls bloated with ghost workers with other officials who threaten judicial action if she fails to return order to the city.

Her upset victory in last November's municipal elections with its Brazil-wide reverberations broke al norms espoused by political pundits for a successful candidacy. Twice divorced at the age of 43 with little political party support, "Maria Luiza," was elected in the impoverished state of Ceara in north-eastern Brazil, long noted as a bastion of male dominance in agriculture, government and business.

Called a female Padre Cicero after a defrocked priest in the early 1900s who mystically united peasants in the drought stricken interior of Ceara into a political base, Maria Luiza rejects the comparison. She maintains her appeal is real, not based on promising miracles, in tackling the city's problems together with the residents. Folk hero she may not yet be, but Maria Luiza sensed the population's demands for change.

With only a 10,000-vote margin out of 550,000 total votes cast, the seven-year veteran state assemblywoman has carved her constituency out from among the poor, students and women.

Their support, not revealed in pre-election polls and surprising even Maria Luiza herself, is a fact no longer lost on local politicians long accustomed to handpicking candidates for office and distributing patronage. The practice, a part of "coronelismo"

Maria Luiza Fontanelle: overturning political conventions

(power brokering), is historic in north-eastern Brazil.

Those who owned the large tracts of land or built commercial fortunes became the poltical bosses, or *coroneis* (colonels).

In Ceara, Maria Luiza has to contend with a powerful triumvirate, one a former Minister of Mines and Energy under the recently deported military government, and now the vice-governor of the state. Another is the governor, intent on forming his own political base with the ruling Brazilian Democratic Movement Party.

Elected twice to the state legislature on the PMDB ticket, Maria Luiza broke with the party three months before the election to run for mayor as candidate of the Worker's Party (PT). More socialist in orientation and combatively leftist, she finds the PT more suited to her viewpoints. She speaks of the people's struggle to end favouritism, repression and violence as practised by the *Coroneis* and the need to make government accountable to the people.

Her campaign focused on what she saw as the miniscule differences between the old regime and Brazil's new civilian government. Asking pointedly "what is new about the New Republic?" With practically no support from PT national leaders during the campaign, she garnered 32.5 per cent of the votes compared with the party's showing of 0.1 per cent in the 1982 state elections.

During the campaign, she identified closely with the common folk. Dressed in jeans and a simple pretty blouse, she treated hangers-on spilling into her office and the innumerable phone calls with measured attention and warmth, punctuating her pertinent questions with a throaty "querida" (dear), as a form of address. With energy contagious even in Fortaleza's 37°C heat, the former sociology professor with an MA in development sociology from Vanderbilt University in the US carefully rations her time in a frenetic sunup-to-sundown schedule.

Governing Forteleza, a city ridden with debt and sinking into the red as 90 per cent of monthly revenues just cover salaries for 35,000 city employees, will be no mean feat. In her case, it presents even more of a challenge because she has raised expectations that her three-year administration will be different.

The city's debt (an accumulated $20m in 1985) became seriously bloated in the last two years as people fled to the city after five years of drought in the interior and then last year's flood. Last July, the city payroll was swollen by 10,000 appointees as a legacy from the outgoing mayor, a son of one of the *coroneis*.

In a mixture of aggression and naivete, the mayor-elect states that the 33-member city council with not one PT representative will not be an obstacle to her reforms, since as she put it, "I have the people's interests at heart."

With the intent of putting her sociology into practice and ethics into public service, Maria Luiza plans to decentralise the city's services to the neighbourhoods where local councils define priorities.

Some 14,000 civil servants are expected to start leaving their jobs this year. Reassessing property values for tax purposes could generate another Cr 1 trillion (million million) ($100m) as a real boost to this years projected revenues of Cr 1.6 trillion.

With 20 per cent of the city's 1.5m inhabitants unemployed, the new mayor plans to create opportunities in ceramics, artesan objects and tourism. She has no plans to attract industry to an economy heavily dependent on exports of fish, lobster and cashew nuts and fledgling spinning and steel industries.

Maria Luiza is regarded as a tenacious fighter but many wonder if she can put together an administration that delivers on promises.

Mexican companies fight loans policy

BY DAVID GARDNER IN MEXICO CITY

INDUSTRIALISTS in the private-sector stronghold of Monterrey in north-eastern Mexico are strongly opposing Government plans to severely limit the availability of credit provided by the nationalised banking system this year.

Implicit in their concern is the possibility of a moratorium on loan repayments to the banking system. Many industrial leaders say privately such action is needed, but so far they have declined to say so officially.

Small to medium-sized industries in Monterrey indicated they will not be able to maintain repayments on existing loans without new credit lines.

At present, the public sector has first call on 90 per cent of all funds in the banking system, which was expropriated in September 1982. This obligatory reserve requirement on the banks was introduced last July for three months, and extended, following the devastating earthquakes of September 19-20.

It nearly doubled the previous reserves requirement, and is now unlikely to be removed until the second half of this year.

The Government's aim is to push down inflation—currently running at nearly 65 per cent, fractionally up on a year ago—by limiting the availability of money, and at the same time assuring itself of funding. Falling prices for oil, which provides 45 per cent of tax revenues, have sharply depleted the main source of public revenue.

But Government funding needs have also caused interest rates to rise to record highs; the market rate of three months' treasury bills stands at an historic high of just over 75 per cent, while many business men have actually to pay rates in excess of 85 per cent.

Monterrey industrialists are the first to try to prise open this pincer of scarce credit and high rates, but Mr Carlos Mireles, chairman of Canacintra, the Mexican equivalent of the Confederation of British Industry, warned yesterday that, without liberalisation of the credit market, there could be no structural change in Mexico's economy and, therefore, no way out of the crisis.

Both he and the leader of the Monterrey industrialists, Mr Jorge Arrambide, had strongly denied suggestions of a debtors' strike against the nationalised banks, but point out that extreme liquidity difficulties are leading to non-payment.

The Government has already in place a number of credit lines for small-to-medium-sized industry, but largely aimed at areas and sectors it wishes to develop.

US steelmaker to lay off 25% of Cleveland workforce

BY WILLIAM HALL IN NEW YORK

THE SECOND biggest steel maker in the US, LTV is to lay off a quarter of its workforce at its large steel plant in Cleveland, Ohio, in a move designed to help the company survive the slump in the US steel industry.

The indefinite lay-offs of 775 employees result from the group's decision to idle a blast furnace and a steel making operation at its 1,187 acre Cleveland mill on the banks of the Cuyahoga river. The action reduces the total workforce to 2,300 and increases to 2,000 the number of workers on indefinite layoff.

In 1984 LTV acquired Republic Steel in a bid to rationalise its steel making operations and LTV officials said yesterday that the cutbacks at the Cleveland plant reflected this decision and were not taken because the outlook for the steel industry had suddenly deteriorated markedly.

The cutbacks at LTV's Cleveland operation are the latest in a series of moves by the embattled steelmaker. Last year it idled its giant Aliquippa steel works near Pittsburgh and laid off 1,300 workers.

At the time it said the plant was shuffering badly from unfair competition, had been running at only 20 per cent capacity and was losing $25m a quarter. The subsequent $380m writedown accounted for over half of the $648m LTV lost in the first nine months of 1985.

Transatlantic co-operation urged to replace Concorde

BY TERRY DODSWORTH IN NEW YORK

MR JEAN AUROUX, the French Transport Minister, called yesterday for transatlantic co-operation on a new supersonic airliner to replace the Anglo-French Concorde when it reaches the end of its service life.

Speaking in New York at celebrations to mark the tenth anniversary of commercial supersonic flights between Europe and the US, Mr Auroux said a successor to Concorde would be needed around the year 2,000.

Mr Auroux's comments come at a time of renewed interst in supersonic commercial transport in the US.

This so-called "Orient Express" concept is being supported by studies into the feasibility of a post-Concorde generation of aircraft that could fly at five or six times the speed of sound.

Rather than an aicraft which makes such a huge jump from Concorde's present speed of around Mach 2, the French company has argued for a second-generation version that could carry around 200 passengers

Delors asks Tokyo to set up trade watchdog

BY JUREK MARTIN IN TOKYO

THE European Commission has invited Tokyo to devise methods to ensure that more foreign-manufactured products are sold in Japan.

In lengthy talks in Tokyo yesterday with Mr Yasuhiro Nakasone, the Japanese Prime Minister, and other officials, Mr Jacques Delors, the EEC President, was reported by Japanese sources to have asked for a watchdog committee to be set up.

Mr Delors's spokesman also hinted last night that the Commision would not object if Japan were to propose negotiations along the lines of the so-called MOSS (market-oriented, sector-selective) talks recently concluded in four product areas with the US.

The spokesman emphasised that Mr Delors had not placed this proposition before Mr Nakasone, or any other Japanese official over the previous 24 hours, but he implied that in public speeches today and tomorrow he might address the issue.

The EEC still believed that Japan ought to set specific import targets, as requested by three visiting Commissioners here last November. This approach was rejected then, and again this week, which has led the EEC to try to find a more acceptable "methodology."

EEC officials have several formulae in mind. One, most recently presented in November, is that Japan should commit itself over the next three years to increase the ratio of manufactured imports to gross domestic product from the 2.9 per cent level of 1984 to 4 per cent by the end of 1988. By comparison, the US ratio is about 10 per cent and EEC's 6.2 per cent.

Alternatively, Japan might set absolute figures, which would be equivalent to a rise in manufactured imports from the $32.5bn (£22.7bn) of 1984 to $55bn by 1988.

Mr Nakasone told Mr Delors that Japanese policy was directed to promoting imports, maintaining a higher value for the yen, and generally spurring economic growth. But he was said to have made no reference to specific figures.

Mr Delors's visit is clearly an important element in the development of EEC commercial policy towards Japan. The Council of Foreign Ministers will convene next month to consider a report to be submitted by the three commissioners who came her last November. The president's views will help them make their decisions.

Miti may impose export controls on machine tools

BY CARLA RAPOPORT IN TOKYO

JAPAN'S Ministry for International Trade and Industry (Miti) is considering imposing export controls on the country's machine tool industry if its sales to Europe and the US this year continue to grow at high levels.

Miti has asked the Japan Machine Tool Association for figures on sales to Europe and the US, by both quantity and value, on a monthly and quarterly basis.

It stressed yesterday that a final decision would not be made until all the data had been reviewed.

The prospect of export controls has been greeted with dismay by the machine tool industry. Although no company nor the industry association was willing to comment yesterday, manufacturers have previously insisted that they have been merely satisfying the demand for their products in the US and Europe.

Exports of machine tools from Japan grew rapidly last year. In the first 11 months sales to Europe rose nearly 30 per cent to Y360bn (£1.24bn). Sales to Europe were up by nearly 60 per cent by value to more than Y80bn.

Miti's moves may prompt some leading machine tool exporters to curb exports voluntarily to head off export controls.

Thatcher tells Japan to cut surplus

By Alain Cass

JAPAN IS still not doing enough to open up its markets to the rest of the world and reduce its trade surplus, Mrs Margaret Thatcher, the British Prime Minister, told Mr Shintaro Abe, Japan's Foreign Minister, yesterday.

Mrs Thatcher also expressed her concern that the international trade deficit was becoming very big and would have to be tackled "head on" at the next world economic summit in May in Tokyo.

Mr Abe, who also held talks with Mr Leon Brittan, Trade and Industry Secretary and Sir Geoffrey Howe, Foreign Secretary, defended Japan's position by saying that the extensive tariff cuts announced last year were being steadily implemented.

Mr Abe also said that the steady appreciation of the yen against other currencies would help reduce the Japanese trade surplus which stood at a record $46.14bn (£32bn) last year.

Mrs Thatcher said that this was not enough. In line with increased concern in Europe and the US over rapidly increasing Japanese trade surpluses, Mrs Thatcher told Mr Abe that "more fundamental" measures would have to be taken to restore a balance such as the purchase of major, single items including aircraft.

● Christian Tyler adds: Europe's demand that Japan set firm targets for its imports from the EEC was a demand for reassurance that Japan's market - opening measures were genuine, Mr Leon Brittan, Trade and Industry Secretary, said yesterday.

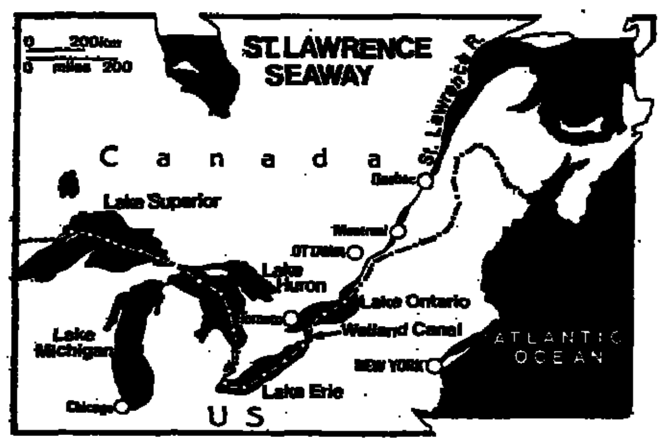
He set out the EEC's position in an hour-long meeting with Mr Abe.

The European Parliament last week carried a motion criticising the Japanese measures as cosmetic and deploring Japan's refusal to put numbers to the "buy-foreign" campaign launched last year by Japan's Prime Minister, Mr Yasuhiro Nakasone.

Mr Brittan's talks yesterday were not, however, designed to pick over Anglo-Japanese trade issues, according to ministry officials.

A reduction in traffic is threatening the canal system's future, reports **Bernard Simon**

Shadow hangs over St Lawrence Seaway



SHIFTING TRADE patterns have cast a long shadow over the future of Canada's St Lawrence Seaway, the canal and lock system which joins the great lakes to the estuary of the St Lawrence River and the north Atlantic.

Traffic through the seaway, which is part of the world's busiest inland waterway, dropped last year to the lowest levels since the mid-1960s. As ice packs ushered in the annual winter closure in late December, seaway officials estimated that volumes fell by 22 per cent in the 1985 season, the sharpest drop in a downward trend which began in the late 1970s.

Traffic through the 27-mile Welland Canal, which by-passes the Niagara Falls between Lakes Erie and Ontario, slumped to 42m tonnes last year, the lowest since 1963.

Losses suffered by the St Lawrence Seaway Authority, a Canadian Government agency responsible for the Welland Canal and 13 of the seaway's 16 locks, are expected to reach C$22m (£11m) in the year to March 1986, bringing accumulated deficits to more than C$20m.

A 6 per cent rise in tolls which takes effect when the seaway re-opens in April will raise annual revenues by only C$3m-C$4m.

Without the seaway's locks, ships would be unable to pass between the Great Lakes and the St Lawrence, which are separated by a series of rapids and waterfalls with a total drop of about 600 ft.

The seaway, openedin 1959 by Queen Elizabeth and President Dwight Eisenhower, replaced a series of small locks and channels which required trans-shipment of all cargo for ports below Lake Ontario.

The downturn in traffic is most pronounced in grain and iron ore which, between them, make up about three-quarters of cargo passing through the seaway. Less than a quarter of US grain exports are now carried through the lakes, compared with forecasts of 50 per cent made in the early 1980s.

Iron ore mines in Quebec and Labrador, which provide the bulk of the seaway's west-bound traffic, have lost market share to more competitive producers in other parts of the world. A growing proportion of imports, especially from Brazil, is shipped to steel mills through US east coast ports.

The Great Lakes and the St Lawrence have lostt grain business to Canadian wast coast ports and to Missiissippi barges. The proportion of Canada's wheat exports moving along the St Lawrence fell from 53 per cent in the season to July 31 1984 to 47 per cent last year.

Besides a higher proportion of sales to the Far East, a Canadian Wheat tBoard official says: "We're trying to make use of the west coast to the fullest extent possible because it's cheaper for us."

The drop in traffic has rippled through to the economies of many Great Lakes communities. In the depths of last year's slump, half of the 140 lakers—each employing 25 crew members—were idle.

About 1,000 workers temporarily lost their jobs at grain elevators in Thunder Bay, the grain port on the wes̈ttern edge of Lake Supeiror.

The seaway authority's financial problems have also raised a question mark over a C$2bn project, now on the drawing boards, to increase the capacity of the Welland Canal. Preliminary plans are due to be submitted to the Canadian Government by the middle of this year.

There is widespread agreement that at defniing the problems of the Great Lakes and St Lawrence Waterway is much easier than finding solutions.

"The solution is to get more business, but how we do that I don't know," says Mr Donald Rothwell, president of the Great Lakes Waterways Development Association, a group of 40 shippers and ship operators.

The Seaway Authority, based in Ottawa, has given little attention lately to long-term issues. It has had its hands full with an unusual series of accidents, which have delayed traffic and brought a spate of bad publicity.

The authority has received almost 1,000 notices of legal action from disgruntled users following the failure of a shaft on a lift bridge upstream of Montreal, a ship's collision with another bridge, and a pressure burst on a lock which closed the Welland Canal for three weeks last November.

Nonetheless, a start has been made with efforts to attract more traffic. The US Seaway Development Corporation is sponsoring a mission to Europe to attract new business, and the Quebec Government has set up a group to promote the seaway.

The role of ship's pilot is coming under scrutiny. Pilotage charges can run to several thousand dollars for the Thunder Bay-Atlantic journey. Many users contend that modern navigation aids have made pilots superfluous.

Mr William O'Neill, president of the Seaway authority, says: "We do need pilots. Whether they need to be employed exactly as they are now is the question."

Some experts argue that the St Lawrence would attract more business if it stayed open all year. But keeping the river ice-free would be costly.

The shipping season has been extended by about a month since the seaway opened in 1959, and the seaway authority has in some years managed to keep the system open until early January to clear backlogs.

But says Mr O'Neill: Our experience is that from mid-December on, it becomes difficult to guarantee that ships can make the trip and get out again."

Canadian banks offered share of export financing

BY BERNARD SIMON IN TORONTO

THE Canadian Government has offered the country's commercial banks a small part of the official export financing business now monopolised by the state-owned Export Development Corporation (EDC).

The proposal would allow the banks to handle financing of capital goods with a maximum of five years. About 5 per cent of the EDC's direct financing business, totalling C$1bn (£497m) a year, falls within this period.

Banks asked the Government last year to channel all its subsidised financing through them, leaving the EDC to concentrate on its credit insurance and guarantee business. Unlike most other industrial countries, Canada channels all official export financing through a government agency.

The Canadian Imperial Bank of Commerce said that "none of the banks are entirely happy" with the proposal.

None the less, the authorities have left the door open for further discussions. Among details to be clarified are the funding of interest rate subsidies to enable banks to compete with the EDC.

The banks' proposals were strongly opposed by the EDC, which has moved to meet their objections to its operations by strengthening its regional offices and designing several programmes aimed primarily at medium and small exporters.

British Telecom in Indian tie-up

BY JOHN ELLIOTT IN BOMBAY

BRITISH TELECOM has linked up with Mahindra and Mahindra, a major Bombay-based automotive and engineering group, to bid for contracts in India in volving the development and operation of telecommunications networks.

A memorandum of understanding was signed in Bombay yesterday by Mr John King, managing director of British Telecom's new overesas division, and Mr Keshub Mahindra, chairman of the Mahindra group which has an annual turnover of about Rs 7bn (£410m).

This is the first of a series of link-ups planned in different countries by British Telecom to market its expertise abroad. It is intended to lead to technical and equity collaborations in several areas of India's rapidly expanding telecommunications systems which the government wants to be substantially funded by the private sector through equity stakes and stock bonds.

The two companies have held talks with Indian Government departments and agencies covering areas such as defence, railways, telecommunications, satellites and banking about selling consultancy and operating services for proposed telecom systems.

No bids have yet been submitted for specific projects, partly because the Indian Government has not yet decided how far to let the Indian private sector and foreign companies into this previously public sector area.

The companies would like to become involved in modernising and operating telephone systems in Bombay and Delhi which are to be run by separate corporations hived off from the main nation wide telecommunications department.

They have considered offering services to India's C-Dot programme for developing a digital switching system, in which GEC of the UK is also interested. They have also looked into India's plans for optical fibre systems where STC of the UK is trying to establish a manufacturing collaboration.

TECHNOLOGY

Valve controls the steel flow . . . and points the way ahead

Ian Rodger on a British Steel development which could cut the industry's costs worldwide

THE continuous casting process, the single most important advance in steelmaking technology in 20 years, may soon be economically applicable to the production of almost every grade of steel as a result of a new system for controlling flows of molten metal which has been developed by British Steel.

Continuous casting provides improvements of 15 per cent or more in yields plus significant energy savings compared with the traditional method of casting molten steel into ingots.

Indeed, the extent to which continuous casting is used has become a major measure of the competitiveness of a steel producer. For example, an average of 90 per cent of Japanese steel is continuously cast. At British Steel, the rate is 50 per cent.

However, one of the problems in the application of continuous casting has been controlling the flow of molten metal from the basin, or tundish, into the moulds.

Control is important because if the molten metal flows too quickly, it may run out through the other end of the mould before hardening into the desired shape of billet, bloom or slab. If it does not flow quickly enough, it could harden prematurely and block the mould.

As long as a producer is making only one type of steel, control can be achieved fairly simply by means of a fixed opening at the base of the tundish of the size required to provide the desired flow.

Indeed, the most widely used system today consists of a *ceramic stopper rod*, which is like a sink plug, in a fixed diameter nozzle at the bottom *of the tundish.*

However, the composition of steel has become increasingly varied in recent years. Even bulk producers now make dozens of grades, all of which have different cooling and flow rates.

If the continuous casting cannot be controlled, producers must revert to the old expensive ingot route for casting many of these grades.

Some producers have experimented with conical shaped stopper rods so that the flow of metal varies depending on *how much the stopper is lifted* from the nozzle. Others have tried layered sliding plates, each with a circular hole, installed underneath the tundish.

Both these systems suffer from rapid wear and a tendency to admit contaminating air into the steel flow. Also, since they are in contact with the outside environment, there is a risk that residual metal will cool and set in them.

BSC's solution is a rotary valve, developed and installed at its Teesside works in the past year, which gets around these problems. It consists of a ceramic rotary stem sitting on a fixed ceramic nozzle. It is installed in the bottom of the inside of the tundish in place of the stopper rod.

The mating surfaces of the valve are hemispherical, one concave, the other convex, permitting accurate rotation. Both components have tubes for transporting the molten metal.

The tubes can be aligned *fractionally or completely*, so that the flow can be finely controlled. The stem is rotated by an actuator gear which rises above the molten steel from the side of the tundish.

Since the valve is immersed in the molten metal, there is little risk of residual metal hardening or of air being drawn into the moulds. It also has a longer life than stopper rods because the joint between stem and nozzle is always smooth whereas the connection between the *stopper rod* and *nozzle* is a jolting one.

Stopper rods normally last up to eight hours. BSC, which has installed rotary valves in its eight-strand bloom casting machine at Teesside, has used them for 13 hours. Even then, casting was stopped only because there was no metal left to pour.

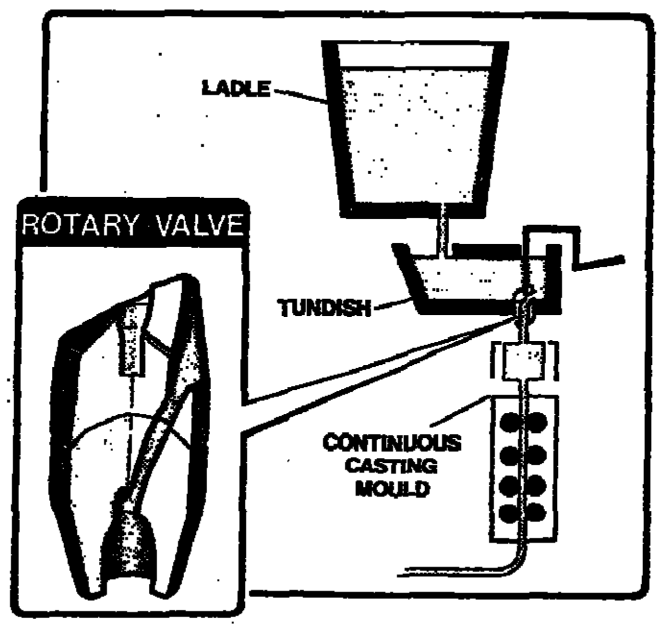
Teesside is now sufficiently confident about the valve that it has transferred production of the steel used for making the trackshoes for bulldozers to the bloom caster. It is also getting ready to test it on its slab casting machine.

BSC is seeking patents for its valve and has licensed Thor Ceramics of Clydebank, which has been involved in the development, to market it worldwide. Mr Alan Thornton, commercial manager of Thor, said the potential was considerable. About 250,000 stopper rods were consumed worldwide every year.

He said the rotary valve system for bloom and billet casters would probably cost between £5,000 and £7,000 a strand to install, twice the cost of stopper rod systems but less than half that of sliding gate systems.

Similarly, the consumable rotary valves might sell for about £150, twice the price of rods.

Further information: Thor Ceramics, P.O. Box 3, Stanford St, Clydebank G81 1RW, Dunbartonshire, Scotland. Tel. 041 952 1990.



A weapon that fires bursts of electrons at close to the speed of light

David Fishlock on an experiment in the New Mexico desert

HIGH ON a barren, snake-infested hillside in the New Mexico desert, US scientists are experimenting with what could become, a new kind of gun firing bursts of electrons, or electricity, close to the speed of light, 100,000 times faster than any missile.

They are investigating the physics of what they claim to be the most powerful electron accelerator in the US. The kind of weapon they believe might emerge is short-range but fast enough to kill a missile which has slipped through an aircraft or vessel's other defences.

These are joint experiments of the US Air Force Weapons Research Laboratory at Kirkland Air Force Base, Albuquerque, and the nearby Sandia National Laboratories, one of the Star Wars research centres. Their accelerator is seven miles south, into the mountains, at the US Air Force's directed energy experimental range.

The electron accelerator is called Radlac 2, the second generation of a concept conceived seven years ago after Soviet scientists had published an idea which drew on technology under development at Sandia.

The Soviet paper showed how bursts of electrons could be accelerated to very high speeds in a short distance by lining up microwave diodes like a gun barrel. It acknowledged that the diodes they used were of the kind designed by Dr Gerold Yonas at Sandia, who was using a ring of them to focus many electron bursts simultaneously on a speck of nuclear fuel.

It did not take the US scientists long to work out why the Russians might want to line up the diodes like a gun.

The first Soviet experiment, LUI-10, generated bursts of electrons of 13,000 amp. The first US experiment, Radlac 1, pushed the current to 25,000 amp. Nothing more has been published about the Soviet research, but Radlac 2 generates bursts of 50,000 amp.

Dr Bruce Miller, who as an Air Force physicist specialising in beam physics helped launch the Radlac project, recalls that many of his colleagues at both laboratories were confident that it would not work. Then in 1981 the Russians claimed they had successfully propagated an electron beam through the atmosphere.

Using Radlac 2, Dr Miller, now manager of the directed energy research department at Sandia, has successfully fired an electron beam for 15 metres to demonstrate a new way of stabilising the beam.

One the main goals of Radlac 2, Dr Miller says, is to show that a high-powered electron beam can be extracted efficiently from the accelerator and propagated through air for an appreciable distance.

"What we've always known is that if we could deliver these very powerful beams to a militarily significant target, we could probably destroy the target." The evidence lies in the damage done by the beam of Radlac 2 to such targets as a 0.5-inch thick aluminium disc neatly pierced by a single burst.

The $5m Radlac 2 accelerator, managed by Captain Alfredo Garcia of the US Air Force, can generate 50,000-amp bolts lasting 40 billionths of a second. The trick is to shape bursts of the negatively-charged and self-repelling particles in such a way that they behave like a bolt.

Dr Miller believes he was the first to propose the idea of "boring" a channel through which electrons could be shaped and propagated more stably.

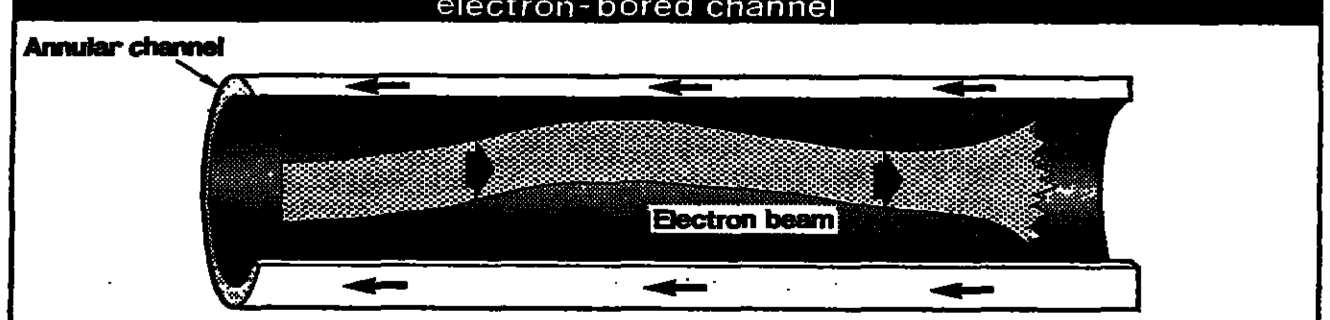
Radlac 2 is fitted with an ion transport tube at the end of the accelerator. The tube, shown in the diagram, is filled with argon gas at low pressure. A small electron gun is synchronised with the accelerator to bore a channel through the gas in time to receive the electron pulse.

The burst of electrons from the accelerator then sees a positively-charged tunnel, which draws the negatively-charged electrons. Magnetic forces induced by the fast-moving electrons hold them as if they were flowing through a wire. The result is analogous to a gun barrel.

Electrons leave the transport tube through a foil window to enter the atmosphere as a fine shaft.

The energy unleashed by Radlac 2 is enough to persuade the scientists to evacuate the facility each time it is fired. It goes off with a resounding crack, which echoes round the mountains. Its bolts of electricity are deposited in the target so fast that the target vaporises explosively.

Electron beam is guided by magnetic repulsion from currents in surrounding electron-bored channel



Magnetic forces due to return currents tend to centre the beam as in guiding through a metallic pipe

Mapping a test centre

THE National Computing Centre in Manchester and University of Leeds Industrial Services are jointly trying to define the requirements for setting up a MAP test and conformance centre in the UK.

Map, or manufacturing automation protocol, is a user-driven initiative led by General Motors. It is an attempt to implement the data communications standards emerging from the International Standards Organisation in Geneva.

The idea is to get robots, machine tool controllers, programmed logic controllers and other shop floor systems, regardless of manufacturer, to interwork comprehensively.

To ensure conformance between emerging Map products, a suitable test centre will be needed in the UK. Under a £25,000 contract placed by the Department of Trade and Industry, NCC and the Leeds group aim to find out what is required.

Such a centre is important, because proof of conformance will increase the market's confidence and investment in modern manufacturing techniques.

Bid to prevent gas explosions

COMPANIES in the mining, chemicals and medical equipment industries may benefit from work to reduce the risk of gas explosions sparked by electrical hardware.

Engineers at the Production Engineering Research Association in Melton Mowbray, Leicestershire, have produced control systems to monitor electric power and operating temperatures to keep them within safe levels.

UK NEWS

Labour plans tougher code on takeovers

BY PETER RIDDELL, POLITICAL EDITOR

SEVERAL of the big takeover bids in the recent wave would have faced much tougher public scrutiny under proposals from the Labour parliamentary leadership, due to be outlined later today.

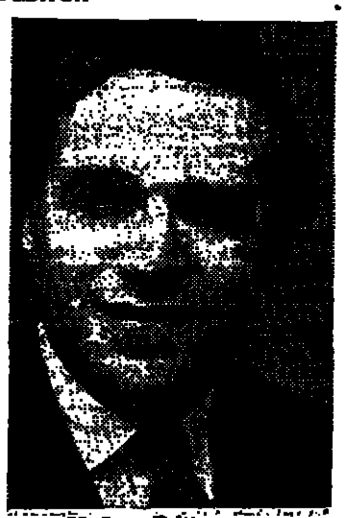
This follows a reaffirmation yesterday of the Government's competition policy from Mr Leon Brittan, the Trade and Industry Secretary.

The key new Labour proposal is that the onus of proof that a merger is not against the public interest should shift to the bidder away from the Monopolies and Mergers Commission (MMC), as at present, in certain cases.

This shift in justification would apply, and a reference to the MMC would be automatic, in cases where defence interests represented a significant proportion of turnover, where the merger involved a purely financial transaction rather than a genuine industrial reason, and where the likely outcome would be a significant reduction in employment in the companies.

These criteria would, for example, have affected the GEC bid for Plessey and the Elders bid for Allied Lyons, both of which have incidentally been referred to the commission, as well as to previous big mergers, such as Thorn-EMI.

The Labour approach would also involve a standing reference to the MMC of certain trading practices such as big discounts offered by food manufacturers to retailers.



Mr Leon Brittan: no case for modifying policy

There would be continued monitoring of the results of mergers involving, if necessary, a requirement for prior notification of price increases.

This approach is not yet official party policy, but it is expected to be presented as the current thinking of the parliamentary leadership during a Labour-initiated debate this evening in the House of Lords by Lord (Charles) Williams, the former chairman of the Price Commission.

The Government's view was underlined yesterday in a letter to Mr Bryan Gould, Labour's trade spokesman, from Mr Brittan, in which he says that the Government's competition policy "continues to stand the test of experience in the light of the so-called mergers boom."

Mr Brittan says that nothing that has happened in recent months has caused him to change his mind. He says the policy is quite clear that references to the MMC will be made primarily (but not exclusively) on competition grounds, in view of a belief that market forces and competition are the most efficient means of allocating resources.

He admits that other factors, apart from competition, can be grounds for reference, citing the Elders bid. But, he stresses: "Each case must be examined on its merits in the light of the specific circumstances. Any attempt to impose rigid general rules would quickly fall foul of a 'special case' which the rules did not fit. The flexibility of our policy is one of its greatest strengths."

Mr Brittan says, therefore, that he sees no reason to modify the policy on references and does not believe the current merger activity requires mergers policy to be reviewed in isolation from the more general view of competition policy, which will start this year. Similarly, he does not think the recent mergers alter radically the issues which the review will need to consider.

Stockbrokers agree mergers

BY JOHN MOORE, CITY CORRESPONDENT

FIVE STOCKBROKING firms are to merge in the most extensive realignment of securities firms based outside London. In the deal, James Capel, one of London's largest stockbrokers, which the Hongkong and Shanghai Banking Group has agreed to acquire, will take a 20 per cent shareholding in the merged securities group.

The latest deal follows the acquisition of a 20 per cent stake by James Capel in Parsons & Co., the Glasgow-based stockbroker, last July. Capel took its stake in Parsons as part of a joint venture with PosTel Investment Management. PosTel, which controls the investments of the Post Office and British Telecom pension schemes, took a 20 per cent stake in Parsons.

In the new move Parsons is to merge with Illingworth Henriques of Manchester, Laws & Co of Bristol, Murray & Co of Birmingham and Stancliffe Todd & Hodgson of Middlesbrough.

The five brokers are to become wholly owned subsidiaries of a newly-formed holding company, Allied Provincial Securities, which will be a non-operating external member of the stock exchange.

After the merger Capel and PosTel will hold 20 per cent each in Allied Provincial Securities. The remainder of the equity will be held by the partners of the five firms. No details have been disclosed about how much capital is to be injected into Allied Provincial Securities or the cost of the Capel-PosTel investment.

It is intended that Allied Provincial Services will deal primarily with private clients through a regional network of 17 offices. After the merger, Allied Provincial Securities will be advising private clients with funds in excess of £1bn.

As part of the plans it is intended that the new group will expand the financial services of the individual brokers to include tax planning, pension arrangements, and other insurance-based financial products.

Channel link seen as boost to property

By Fiona Thompson

ESTATE agents in Kent, south-east England, were divided yesterday on the potential impact of a Channel rail tunnel on prices of commercial and residential properties in the region.

Mr John Bishop, head of the estate agents Geering & Colyer, with 22 offices in Kent and Sussex, said this week's Anglo-French decision to build the tunnel signalled an undoubted rise in rents for offices, factories, warehousing and retail space. House prices, too, would increase beyond the projected 10 per cent growth figure estimated for 1986.

Mr James Warner, a partner with Ward & Partners, estate agents with 25 offices in the Kent area, was less optimistic.

It was arguable whether there would be a vast increase in the price of commercial properties, he said. As for residential properties, he doubted that the tunnel decision would have "any dramatic effect" on house prices.

The plan by Channel Tunnel Group-France Manche for a twin-bore rail tunnel includes a 350-acre terminal to be built at Cheriton, near Folkestone. Fears have been expressed that it will depress house prices in Cheriton.

Mr Bishop of Geering & Colyer said that, for individuals living on the perimeter of the construction site, the threat of what might happen to house prices was often worse than actual fact. If owners sat tight, they might get a better price once the work neared completion, he said.

"In my experience, the number of people wanting to get out of the area will be replaced by the number wanting to get in."

Commercial premises would come under pressure first, said Mr Bishop. Prices in East Kent now were 25 to 30 per cent below those in Sussex and West Kent.

Mr Tony Skynner, chairman and managing director of Cobbs Property Services, the largest estate agents in Kent, with commercial property sales last year of £100m and residential sales of £205m, said the commercial effect would be to firm up prices.

Print unions vote for industrial action at Murdoch newspapers

BY HELEN HAGUE, LABOUR STAFF

THE PRINT unions Sogat '82 and the National Graphical Association (NGA) last night announced large majorities in favour of taking industrial action at Mr Rupert Murdoch's News International after a ballot of their members at the group's four UK titles.

These are The Times, The Sunday Times, the mass circulation Sunday newspaper the News of the World, and the Sun, the best-selling daily tabloid in Britain.

Sogat members voted 3,534 to 752 in favour of industrial action including strikes and NGA members 843 to 117.

Ms Brenda Dean, general secretary of Sogat, said after announcing her union's result: "We will be seeking a meeting with the company to give them a last opportunity to resolve this through negotiation. If they don't, then I believe we will see industrial action probably before the end of the week."

The conflict with News International has its roots in the commissioning of the company's new printing plant at Wapping in London's Docklands. Last weekend saw the production of a 24-page Sunday Times supplement produced by members of the electricians' union EETPU and non-union labour.

Mr Tony Dubbins, general secretary of the NGA, said there was no question of industrial action among his members being unlawful.

He said: "A claim for employment guarantees, the indexation of wages and also for the opportunity for our members to transfer to Wapping if any of the titles transfer to Wapping has been turned down."

He said: "In these circumstances, it is a straightforward wages and conditions issue between ourselves and News International that comes within the current legislation."

Today the print unions are expected to complain formally to the Trades Union Congress (TUC) over the conduct of the EETPU in allowing its members to produce the supplement and in not joining the NGA, Sogat, the National Union of Journalists (NUJ) and the engineering union, AUEW, in a common approach for recognition at the Wapping plant.

The EETPU is to hold talks with News International on a possible deal at the end of the month.

Mr Dubbins said he hoped the electricians would heed the advice of the TUC and recognise that their current course of action was going to jeopardise the continued employment of 6,000 people with the company.

He said: "The reality of the current situation is that the print unions will do everything they can to negotiate a settlement." He believed that consulting members through a secret ballot indicated the seriousness of the union's stance.

"We are not looking for a dispute – but neither will we shrink away from a dispute if we have to do so to defend our members' employment," said Mr Dubbins.

Both unions hope their large mandate for strike action will cause the company to reopen talks.

Rail workshops to split into business groups

BY ANDREW FISHER AND DAVID BRINDLE

BRITISH RAIL Engineering (Brel), which has cut jobs and capacity sharply as UK repair work has fallen, is to split into two separate business groups, the biggest of which will compete in the open market for home and foreign orders.

The change will involve substantial further job losses, but Brel declined to say how many. It employs 22,500 people compared with about 35,000 six years ago. The use of harder wearing new trains in Britain has decreased the volume of maintenance work.

Brel said yesterday that it hoped to win business from Channel Tunnel Group (CTG), which is to build a rail and rail shuttle link between England and France. CTG will spend £230m at 1985 prices on rolling stock and locomotives. British Rail, Brel's parent, also plans new investment.

A highly critical report by an independent inquiry into the consequences of the closure of the railway workshops at Swindon, Wiltshire, is published today. The inquiry was set up by the Diocese of Bristol with the help of the Industrial Society.

The main Brel division, being prepared for privatisation, employs 13,500 people. It will concentrate on the building of new products for UK and overseas customers, as well as doing heavy overhauls and component repairs for BR.

It will comprise Brel's works at Crewe, Derby (Litchurch Lane), Derby Locomotive, York, and Horwich Foundry (near Manchester). Brel said the division will operate on a full commercial basis, competing in the private sector.

The other four works at Wolverton (Buckinghamshire), Doncaster, South Yorkshire, Eastleigh, near Southampton, and Glasgow, will deal with the maintenance and light repair of BR rolling stock. Repair work has diminished with the use of more modern materials such as plastics by BR.

Investors put record £2.5bn into unit trusts

By Eric Short

UNIT TRUSTS attracted a record £2.5bn from investors last year, almost double the investment in the previous year, according to figures released yesterday by the Unit Trust Association (UTA).

Total sales of unit trusts in 1985 amounted to £4.5bn, compared with £2.9bn in 1984. Repurchases of units rose to £1.95bn against £1.48bn, leaving net new investment in unit trusts of £2.54bn, compared with £1.44bn in 1984. Monthly investment figures were continually reaching new peaks only to be exceeded in successive months.

Buoyant stock markets in the UK and the rest of the world undoubtedly helped to boost sales and resulted in the value of funds under management reaching a record £20.3bn at the end of 1985, compared with £15.1bn a year earlier.

A more dominant feature in last year's success, however, was the number of new unit trusts which were launched during the year

Car output in 1985 highest for six years

UK CAR production last year reached 1.048m units, the highest level since 1979. Commercial vehicle output also recovered strongly from the low level of 1984 to 263,800, Kenneth Gooding writes.

Few forecasters expected car production to top 1m in 1985 but it was boosted by record UK sales and a better export performance – particularly by Austin Rover, the BL subsidiary, whose sales outside the UK rose by 15 per cent from the 1984 level to 104,000 last year.

The industry also began to rebuild stock levels towards the end of last year, reflecting its confidence that car sales will remain near or above last year's record 1.83m. These factors combined to put car output last year 15 per cent above the 909,000 for 1984.

□ THIRTY-TWO Tory MPs voted against the Government in the House of Commons in protest against the high level of rate local (property tax) increases which rural authorities are likely to have to impose in the coming financial year.

The rate support grant proposed by the Government for English authorities in 1986/87 was approved by a majority of 71 – about half the Government's actual level of superiority over other parties in the House of Commons.

□ JEYES HYGIENE, one of three health and hygiene companies sold in December for £10m by Cadbury Schweppes in management buyouts, announced it was aiming for a sales growth of more than 20 per cent in the next five years.

Mr Bryan Long, managing director designate of the company, forecast that if overheads could also be reduced pre-tax profits of Jeyes Hygiene could rise from £1.33m at the end of 1986 to £3.5m in the next five years.

□ SIR JAMES Cleminson, president of the Confederation of British Industry, is to become chairman of the British Overseas Trade Board, the government-supported export promotion agency, when his term of office expires in May.

The new president of the CBI is expected to be Mr David Nickson, Sir James's deputy, who is chairman of Scottish and Newcastle Breweries.

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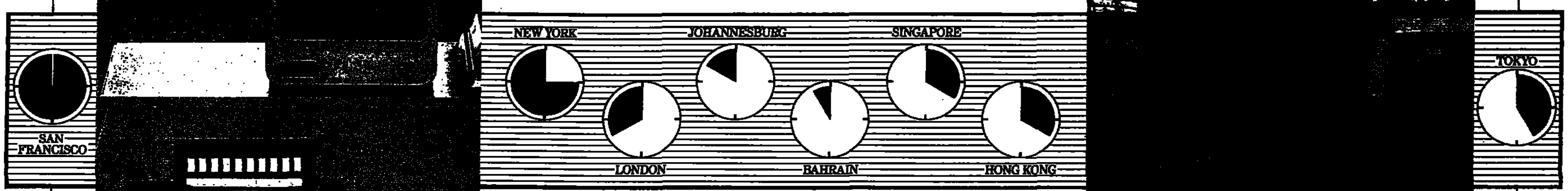

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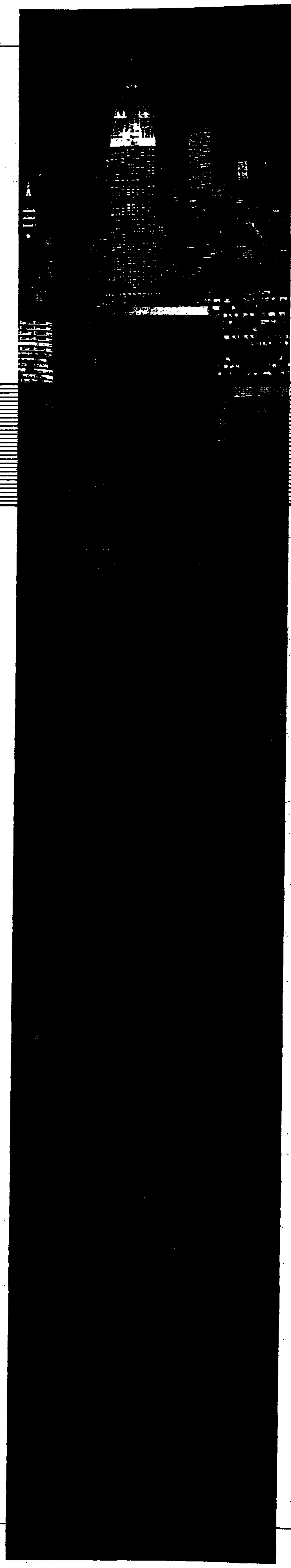

MPs criticise regulatory plan for British Gas

BY DOMINIC LAWSON

THE GOVERNMENT'S chosen method of regulating a privatised British Gas Corporation is not strong enough to ensure the protection of consumers against incompetitive practices, according to a strongly critical report from the all-party House of Commons select committee, published yesterday.

The Government has proposed a loose system of regulating a privatised British Gas, arguing that a tighter regulatory system would create bureaucracy rather than competition.

The committee said yesterday, "We believe that there can be no heavier or more deadening regulation of any market than exercised by a powerful and ineffectually restrained monopoly."

Mr Peter Walker: lays stress on market forces

The committee proposes several major changes to the Gas Bill, which it believes are necessary to maximise benefits to the consumer from the privatisation.

The new company, it says, must be obliged by law to publish separate accounts for the three main businesses of exploration and production, distribution, and retail. It must also publish separate results for its sales to the domestic and industrial markets. These measures would prevent cross-subsidisation to support predatory pricing.

Mr Peter Walker, the Energy Secretary, has laid stress on the power of competing fuels to force British Gas to follow market forces in the industrial market. But the committee said yesterday, "We take a far less optimistic view than the Secretary of State of the strength of competitive forces in the markets where gas competes. Far more detailed and convincing evidence than that so far offered would be needed to allay our scepticism."

The Government has set out a pricing formula that would allow British Gas automatically to pass on to consumers the increase in the cost of the gas it buys from producers. The committee yesterday described that as a "recipe for cost-push inflation." It said that the future director of gas supplies must be able to satisfy himself that British Gas's purchases were prudent. The corporation should not be allowed freely to pass on "expensive gas" costs to the domestic consumer.

The future director of gas supplies should have a statutory duty to promote competition in all areas of the gas market and the freedom to exercise those powers, the MPs say. A similar statutory duty already exists in the case of the Office of Telecommunications, the regulatory body for British Telecom, but the Government has not put an analogous clause into the Gas Bill.

The committee attacked the Government for not stating what its policy would be on gas imports and exports after privatisation.

Controls to stay after state sale of airports

By Lynton McLain

A ROW is expected over government plans to sell the British Airports Authority (BAA) with government constraints on its commercial freedom.

The Government has confirmed that it intends to retain powers to override the commercial autonomy of the BAA after its privatisation early next year. That will affect the type of traffic the proposed British Airports company can take and whether inefficient airports can be closed.

The new public limited company will not be permitted to close any loss-making airports such as Prestwick, Scotland, without government authorisation, Mr Michael Spicer, the Under Secretary at the Department of Transport, said on Monday.

"Before the authority closed Prestwick, it would have to approach the Government and the Government would still have controls," he said.

Prestwick is designated as a gateway international airport for US and UK airlines under the Bermuda Two air services agreement. That makes Prestwick the only Scottish airport permitted by the Government to handle transatlantic flights.

The Government is looking for a "steady improvement" in Prestwick's financial results, it said in its airports White Paper (policy statement) in June. "If this has not come about by 1989, the policy will be reviewed."

When the Airports Bill, setting out government plans to privatise the BAA, was published last Thursday, Sir Norman Payne, the BAA chairman said: "We are concerned that it does appear to provide for a degree of regulation considerably greater than that envisaged in the White Paper."

TUNNEL COULD BE USED TO CARRY ANGLO-FRENCH ELECTRICITY CABLES

New Channel power link studied

BY MAURICE SAMUELSON

BRITAIN'S electricity industry is looking at ways of using the Channel tunnel, agreed this week by the British and French Governments, to import a second large slice of electricity from France's nuclear power stations.

The Central Electricity Generating Board (CEGB) proposed the idea two weeks ago to the Channel Tunnel Group, the consortium subsequently chosen to build a twin-bore rail link, by 1993. The CEGB, which proposes to use the rail link's central service tunnel, claims it received a positive response and that it is now embarking on detailed studies.

To lay high-voltage cables in the tunnel would rule out the need to entrench them in the seabed like the new 2,000 MW link that last week began its first commissioning trials. Although the presence of cables in the tunnel would present its own hazards, they would be more accessible for servicing and inherently less prone to being ruptured than those laid on the sea bottom.

Mr Sam Goddard, the CEGB's director of system planning, said in London that the Board had made similar plans before the last Channel tunnel project collapsed in the mid 1970s.

The present 2,000 MW link is expected to cost £760m, which will be shared equally by the electricity industries of both countries. A large proportion of the money was spent on the installations in each country that convert the power from direct to alternating current and vice versa – the electricity travels as direct current through the cross-Channel cables.

According to Mr Goddard, the CEGB is studying the difficulties involved in laying and maintaining the cables and in cutting the risk of fire. The cables generate heat and could be affected by the high temperatures of the railway power lines. The CEGB also anticipates difficulty in securing agreement in view of the large number of parties involved

At the same time, the CEGB stresses that no decision has yet been taken on whether to increase its capacity to import French electricity. Lord Marshall, CEGB chairman, has expressed concern that such a step would further increase unemployment in Britain. In the immediate aftermath of the miners' strike, however, the idea was more popular in government circles.

France, eager to export its growing electricity surplus, is likely to be more interested.

Institutions' cash flow lowest for two years

BY GEORGE GRAHAM

UK FINANCIAL institutions' cash flow fell in the third quarter of 1985 to its lowest level for two years. The inflow fell to £8.1bn from £10.8bn in the previous quarter and £9bn a year earlier, according to figures published yesterday by the Central Statistical Office (CSO).

Net inflow into life assurance and pension funds rose by £357m to £4.49bn. Unit trusts and investment trusts also increased their intake, but building society deposits declined in the quarter. Overall cash flow fell, however, because the institutions repaid a net £1.48bn of bank debt after more than five years of continuously increasing their borrowings. Most of the repayments were of foreign bank borrowings.

Institutional investors sharply reduced their purchases of UK government securities in the third quarter. Building societies reduced their holdings of government stocks (gilts) by a net £596m, continuing the process of disinvestment that began in March 1984 with the change in societies' tax treatment.

Purchases of gilts by pension and insurance funds fell back to the lowest level for two years, reflecting the scarcity of new government issues in the summer. Unit trusts and investment trusts, however, bought more gilts

The institutions bought £1.46bn of UK company shares in the third quarter, compared with £1.94bn in the previous quarter and £1.08bn a year earlier. Purchases of overseas equities also grew in the third quarter. At £752m, however, they still stood well below the peak of £1.42bn reached in the first quarter of 1985.

More than 60 per cent of institutional investors' cash flow went into equities in the third quarter, compared with 43 per cent a year earlier. Brokers said 1985 as a whole was likely to see a greater proportion of institutional money going into shares than at any time since the mid-1970s.

Swan Hunter yard fears 'unfair' orders fight

BY OUR SHIPPING CORRESPONDENT

SWAN HUNTER, the warship yard that has just been sold to its management in a £5m buy-out deal, yesterday spoke out against the possibility of what it termed unfair competition in the battle for about £200m worth of naval orders soon to be placed.

The Tyneside yard, in north-east England, is in the running to build two all-purpose naval support vessels, known as auxiliary oiler replenishment ships (AORs). It wants the work to supplement its present workload of more than £300m.

Also competing for the business is Harland & Wolff, the state-owned Belfast shipyard. Mr Alex Marsh, one of the four directors in the Swan Hunter management team, said the yard hoped to win both AOR orders.

He expressed concern about the presence of Harland & Wolff in the order contest. "We are concerned about the question of fair pricing policy and commercial risk." He said: "It is a little bit strange as we embark into the private sector that one of our competitors is a state-financed company developing its market into the private sector."

Harland & Wolff has streamlined its operations in recent years and won some large orders, notably a £75m contract to build a complex vessel for British Petroleum

Mr Roger Vaughan, another Swan director, said that the Belfast yard was still "very, very heavily subsidised."

As well as the AORs, Swan wants more frigate orders and will try to enter the export market. Mr Roger Brooke, chief executive of Candover Investments, which is heading institutional backing for the buy-out, said of UK naval ordering policy: "The only fear we have is that there is distortion in decision-making for non-commercial reasons."

Swan Hunter, employing 4,500 people and with a turnover of over £110m a year, hopes to make a profit in 1986.

Protest by Sealink at Belgian exclusion

By Andrew Fisher

MR JAMES SHERWOOD, chairman of Sealink British Ferries, called on the Government yesterday to close British ports to Belgian-flag car ferries unless it was given renewed access to berths in Belgium.

He said 250 seamen on the St David ferry might be made redundant unless it could return to Belgium. The number could be reduced, however, if a proposed freight service between Dover and Dunkirk, France, came into operation.

Mr Sherwood made his complaint about Sealink's exclusion from Belgian ports in a letter to Mr Nicholas Ridley, UK Transport Secretary.

The conflict arises from the decision by Sealink's former Belgian partner, state-owned Regie Voor Maritime Transport (RMT), to sign a deal late last year with Townsend Thoresen, part of European Ferries.

Mr Sherwood, disappointed this week by the Anglo-French decision not to choose his own Channel Expressway for a fixed link between England and France, said Belgium was now refusing Sealink ships access to its ports.

"A monopoly has been completed on the car ferry route between Belgium and the UK," he said.

Townsend Thoresen markets the four Belgian-flag ferries and two jetfoils serving Dover and Ostend under its own name, although they fly the Belgian flag. It also has its own vessels operating from Felixstowe to Zeebrugge.

Mr Sherwood said Sealink's lawyers felt the UK Government had a strong case in insisting on access to Ostend, where Sealink formerly berthed, or Zeebrugge, where it was now seeking a place.

Insurance monitoring 'outside scope of new securities body'

BY NICK BUNKER

INCLUSION OF Lloyd's, the London insurance market, in the regulatory framework proposed in the Government's Financial Services Bill would create extremely difficult technical and practical problems, both for Lloyd's and for the Securities and Investment Board (SIB), Sir Kenneth Berrill, the SIB's chairman, said yesterday.

Speaking in London to 150 delegates to a Financial Times/Deloitte Haskins and Sells conference on Regulating the Financial Services Industry, he said it would be wrong to "bolt on to" the SIB the capacity to monitor the insurance and reinsurance market.

"That market is quite different from the securities market. We would have to get a whole new area of expertise on to the board. We already have a very big agenda," he said.

The bill should not be amended to transform the SIB into a self-standing statutory commission, but the SIB would like to see an amendment giving it explicit power to change the rules of the self-regulatory organisations (SROs), which are to undertake day-to-day market supervision.

Sir Kenneth added that the SIB, which is expected to receive delegated powers from the Secretary of State for Trade and Industry, would publish in February draft conduct of business rules for securities and investment businesses, to be subject to consultation with investors and the industry.

The bill itself has been hailed as a legislative landmark, but it "does not make a major departure from current legal and constitutional structures," said Mr Colin Bamford, a partner in Herbert Oppenheimer, Nathan and Vandyk, the law firm.

"The proposals, while acknowledging the great structural changes in the market, do little in practice to cope with the consequences of that change," he said.

Banks, for instance, increasingly treated parts of their loan portfolios as if they were made up of securities, but the bill treated banks and the securities industry as distinct creatures.

In concentrating on investor protection to the exclusion of prudential legislation, to promote the internal integrity of the market, the bill would simply "bolster up an existing system."

It ignored the root cause of problems such as the collapse of Johnson Matthey Bankers or the Lloyd's scandals, Mr Bamford said.

Mr John Robertson, a senior partner at Wedd Durlacher Mordaunt and Company, said investment businesses could set up compliance departments to monitor adherence to the new regulatory framework without becoming "police states in the making."

A compliance department would have to act like a company's internal audits division to run checks on securities dealing and to "look over Chinese walls" so as to manage possible conflicts of interest.

FINANCIAL TIMES CONFERENCE

REGULATING FINANCIAL SERVICES

But Mr Robertson also welcomed the SIB's proposal for an investment industry ombudsman to handle complaints from investors.

Regulators faced a special challenge from the recent rapid growth in the number of individual investors, said Mr Edgar Palamountain, chairman of the Wider Share Ownership Committee, who also chaired yesterday morning's conference session.

The British Telecom share issue and employee share schemes had increased the numbers of individual share owners who might be inexperienced. "The less they know, the more protection they will need," Mr Palamountain said.

Professor Robert Pennington, of Birmingham University, said that one difficulty with the Financial Services Bill was that it gave no power to self-regulatory organisations to seek information from outsiders or non-members of SROs, who might possess crucial evidence. More generally, the SROs might be handicapped by their lack of powers of sanction against non-members.

Practitioners in the Euromarket showed "cautious enthusiasm" for the Government's proposed regulatory framework, said Mr Richard Bristow, executive director of Credit Suisse First Boston. But of crucial importance was the question of which exchanges would become designated exchanges approved by the SIB. As more markets were designated and approved, more transactions took place and fewer changes in the existing regime were necessary.

Mr Charles Nunneley, chairman of Robert Fleming Investment Management, said the regulation of investment managers should be performed by a single SRO in one place. "The investment management regulatory organisation (Imro) should be that place because it is designed for the purpose," he said.

The National Association of Securities Dealers and Investment Managers (Nasdim) saw it as important that SROs should continue to register individuals as well as firms and companies, said Mr Mark St Giles, chairman of Nasdim.

He said that if individuals could not be registered separately from their employers, there could be no sanctions against them between "a rap on the knuckles and the 'nuclear deterrent' of de-authorising the business."

Lord Bruce-Gardyne of Kirkden said the framework of regulation proposed was "not far wrong," but he thought that successful regulation would depend critically on the influence and authority of the Bank of England.

Mr Graham Ross Russell, deputy chairman of the Stock Exchange, said: "If we are not to find ourself saddled with a structure which is not only complex but unworkable in practice, it is entirely appropriate that we have the maximum amount of discussion at this stage."

Mr Alastair Annand, of the Association of Futures Brokers and Dealers (AFBD), said the AFBD had a "comprehensive set of rules and code of conduct" in draft form which he believed was "essentially consistent" with the SIB's requirements for the recognition of self-regulatory organisations.

Judge rejects Rumasa court plea

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A FURTHER attempt to postpone part of the English litigation arising from the expropriation by the Spanish Government of the Rumasa group in February 1983, has failed in the High Court in London.

Mr Justice Vinelott ruled yesterday that a dispute over the ownership of the English trade marks for Dry Sack sherry, between an English subsidiary of Rumasa and a Jersey company controlled by Mr José Maria Ruiz Mateos, founder of Rumasa, must go ahead as planned on February 17.

The judge said that, once the hearing had started, it could be adjourned to Spain to take evidence from Mr Ruiz Mateos, who is under house arrest after his release from a Madrid prison. Mr Ruiz Mateos faces criminal charges arising from the conduct of Rumasa's affairs before expropriation.

Saying that it would be wholly wrong to defer the trial, the judge added that the only ground for doing so would be if the terms of Mr Ruiz Mateos's house-arrest made it difficult for his English lawers to get access to him to prepare their case.

Mr Ruiz Mateos's lawyers had said it would be unfair to require him to attend to the English proceedings while he was involved in the first stage of the criminal prosecution in Spain.

Mr Justice Vinelott said that no-one knew how long the criminal proceedings, and any other litigation in Spain, might last and the English case could not be kept in suspense until such uncertainties were resolved.

He was, he said, wholly unpersuaded that there could be any real injustice to Mr Ruiz Mateos if the case went ahead next month.

UK NEWS

Unionists warm to fire and brimstone politics

BY MARGARET VAN HATTEM

THE RALLY at Omagh in County Tyrone, Northern Ireland, opens, like most of the Rev William McCrea's political meetings, with a prayer. And what a prayer.

Mr McCrea belongs to both the Rev Ian Paisley's Free Presbyterian Church and his Democratic Unionist Party (DUP). He is one of the 15 Unionists who are tomorrow seeking re-election to Westminster on a platform of outright opposition to the Anglo-Irish agreement.

The plea from the pulpit is red-blooded stuff, denouncing the "hell-deserving sinners" and the cannibalistic tendencies of "our ancient enemy, the Church of Rome." It calls on the Lord to do his stuff to uphold "the Protestant truth," the "great heritage of civil and religious liberty" which thrives in mid-Ulster; and demands that He "bless the candidates and give them a resounding vote against this iniquitous agreement."

Mr James Molyneaux, the mild-mannered leader of the Official Unionists (OUP), who has been given a place on the platform to demonstrate the unity between his party and Mr Paisley's DUP, finds this warm-up act by an unknown preacher in the audience hard to follow.

A gentle, self-deprecating joke is definitely a false start, but the audience starts to perk up when he declares resoundingly: "Man can be reconciled to God. Man cannot be reconciled to man." He gets his standing ovation.

Mr McCrea is next. He receives a rapturous reception from an Orange Hall audience rising, almost as one, to its feet.

I am the sole exception, still scribbling furiously and displaying the same impartiality as I do during Mrs Margaret Thatcher's standing ovations or Mr Neil Kinnock's rarer ones.

In England I am likely to remain unnoticed or, at most, collect a few frosty looks. But this is Northern Ireland.

A man strides over from across the aisle: "May I ask you why you're not on your feet?" I show him my press card – "I'm press," but he is not moved: "May I ask you to leave?" I reply: "You may ask, but I'm not leaving."

Meanwhile Mr McCrea is getting into his stride. "One Protestant is worth 10 Republicans any day," he cries. "Thank God we have faith, the faith that has seen us through in the past. Thank God we have determination, determination that the Englishman knows nothing about."

He begins a sort of chant about "16 years of murder, 16 years of sorrow, 16 years of butchery by a bloodthirsty Republican enemy." He reminds his avid listeners of "the joy in people's hearts after the fall of the power-sharing executive" (set up by the 1973 Sunningdale agreement, brought down by the 1974 loyalist workers' strike).

"We gave in too soon," he cries. "We could have had Stormont (Ulster Parliament) back and it can still be done. Under God's guidance and with His blessing and with His sunshine upon us, we're going to see this agreement in tatters."

Mr Paisley: rollicking oratory and rapturous ovations

They love it, the 200 ecstatic men and women who have driven miles through the freezing slush and fog. Some have brought their young sons (none seems to have brought daughters) as though such meetings are initiation ceremonies.

Now all eyes are on the platform where Mr Paisley is graciously acknowledging his standing ovation.

He starts in rollicking form, rejecting the "monstrous slanders and lies" that have suggested that the once-rival DUP and OUP are not now one happy family. Why, to show what a happy family they are, he indulges in a little ribald teasing. The campaigning is giving them so much heart, he says, the fresh mid-Ulster air is so invigorating, "I've a feeling if we keep Jim Molyneaux here any longer, he might get married." Mr Molyneaux, a bachelor, grins feebly.

Mr Paisley continues remorselessly. "Why, I remember when Lord Brookeborough came to North Antrim, the fresh air did so much for his virility, he got married a second time. And I tell you what Jim, if you do get married, I'll perform the ceremony – free!" The audience sniggers delightedly and Mr Molyneaux grins unhappily. But Mr Paisley has not finished.

"And there's Jim Kilfedder," he says. "You should all see the picture that was taken of me and Mr Molyneaux and Mr Kilfedder earlier today." [Mr Kilfedder, Speaker (chairman) of the Northern Ireland Assembly, also a bachelor, is the sole elected representative of the Popular Unionist Party; he too is standing for re-election.] "You should have seen Jim Kilfedder's hat. I said to him: 'Jim, that's not a man's hat – that's your sister's hat.' And then Jim Molyneaux put the hat on and had his picture taken wearing it."

By now the audience is helpless with laughter and Mr Molyneaux is grinning more miserably than ever.

Mr Paisley moves on to more serious stuff. This treacherous agreement between the British and Irish governments, he says, this "document of destruction" which "destroys all the things our forefathers have fought and died for" is not the law of the land.

"The Queen, God bless her, has not signed it and we do not have to obey it whether Maggie Thatcher likes it or not. It's only a resolution of Parliament – it's not the law."

A vote for a Unionist candidate is not a vote for a politician, or a political party, or a political faction, he says. "It's a vote for your country, for your heritage. If we are sold into slavery, we will have lost our heritage for ever."

Again there is a rapturous standing ovation. Again I am jostled and ordered to stand or to leave, both by the moustached man across the aisle and by a tall youth in the row in front. "I'm press," I say. This is obviously irrelevant.

Now Mr McCrea is coming forward again with his accordion. He is a popular gospel singer with a fine Country-and-Western voice and suddenly everyone is seated again as he plays a few chords and launches into the Orangemen's song The Sash My Father Wore. They all join in, stamping their feet and clapping in time.

Then it's There'll Always be an Ulster, sung like a slow hymn, to the tune of There'll Always be an England, just the last four lines. It is becoming the anthem of McCrea's campaign. Everyone stands solemnly, except me.

Suddenly there is a terrific jolt, a sound of splintering wood and I find myself a few feet away on the floor. There is a murmur of approval and someone behind me growls: "On your feet," and directs a few well-aimed kicks where they are likely to be most effective. I cross my legs and sit tight on the floor while the speakers on the platform sing on imperturbably "... as Ulster means to me."

Next it is to be the national anthem. I remain where I am, wondering how on earth I am to get out of this, when Mr Paisley comes to my rescue. "I see a woman who will not stand for the national anthem," he bellows. "Will you kindly leave the meeting."

Drawing myself up to my full 5ft 2in, I sweep out of the hall as Mr Paisley glares at me from the platform and the audience boos, hisses and jeers. "I had noticed there was a Fenian in our midst," Mr McCrea cries.

The doors of the hall close behind me, muffling the opening bars of the national anthem.

As I have often had occasion to speak to Mr Paisley and Mr Molyneaux in the Members' Lobby at Westminster, I know them to be prudent, discreet men and am grateful for their prudent, discreet rescue. All the same, I will take no more chances. Can someone please send me the words of The Sash My Father Wore?

Boycott by Ulster MPs hinted

FINANCIAL TIMES REPORTERS

ULSTER Unionist leaders hinted yesterday that their MPs might withdraw from Parliament if the protest campaign against the Anglo-Irish agreement failed to bring results.

In tomorrow's by-elections for the 15 seats vacated by the Unionist MPs in protest at the agreement, the Unionists are seeking at least 500,000 votes to demonstrate the level of opposition.

At a final press-conference before the poll, the Rev Ian Paisley and Mr James Molyneaux, the leaders of the two main Unionist parties, refused to spell out their strategy after the by-elections.

When asked, however, if they might adopt an abstentionist policy, Mr Paisley said that if the Government refused to heed opposition to the agreement, then there would be "no place for self-respecting MPs at Westminster."

Mr Molyneaux said that no legitimate form of protest could be ruled out.

A letter calling on Ulster people to consider the benefits of the agreement was published yesterday as an advertisement in the Belfast newspapers by Northern Consensus, a moderate pressure group. More than 400 people in industry, the churches, education and medicine put their names to the letter.

The letter reflects concern among many moderates about where the "Ulster says No" campaign against the agreement will lead. There is almost universal acceptance in the province that the Protestant community will give strong support to the Unionists in tomorrow's elections.

A recent opinion poll carried out in the province for the BBC showed 83 per cent of Official Unionist supporters and 93 per cent of Democratic Unionist supporters against the agreement.

Wanted.

Outspoken 21 year-olds ready to tell British Industry where to go.

The Confederation of British Industry (CBI) is looking for twenty-one 21 year-olds with a strong point of view on how to put the UK back on track to the top.

As part of Industry Year and to mark its own 21st anniversary in 1986, the CBI is running a competition with prizes totalling more than £15,000.

In its first 21 years, the CBI has been dedicated to creating a climate of opinion in which companies can operate efficiently and profitably for the benefit of all.

Industry Year is also aimed at encouraging a better understanding of industry's role in providing the goods and services people need and want; and creating the wealth on which all else — health, education, pensions and social care for example — depends.

But words are not enough. That's why the Government, the TUC, the CBI and many other bodies are joining forces for the Year, which will be successful only if it produces actions and deeds.

And much needs to be done.

The UK is an industrial country with an anti-industrial culture. Too many people regard trade as a dirty word. For the first time since the Industrial Revolution we have ceased to be a net exporter of manufactured goods and have become a net importer. We lead the world in many new areas of research. But we're not so hot at making or marketing our ideas.

Yet we have not lost our powers of invention. Just one college in Cambridge has produced more Nobel prize winners in science than the entire nation of Japan. But we do not always follow through effectively. Moreover, the symptoms of class warfare, snobbery in education, even fear of risk, conspire to undermine this natural inventiveness.

Attitudes ARE changing at places like universities but are they changing fast enough? Our best companies ARE the best in the world — it is our average performance we need to improve.

So, there's the problem. How would you solve it? If you will be 21 during 1986, start by telling British industry where to go in not more than 1,000 words.

A panel of judges, all distinguished CBI members, will be looking for viable, well-rounded arguments, but remember, it is a plan of action not a thesis that is needed.

The entries will be judged initially on a regional basis with 21 prizes of £500 to be won. The 21 finalists will then spend time with one of the major companies — all members of the CBI — sponsoring this initiative. After this, they will prepare a more detailed paper developing their ideas which could receive national publication.

The overall winner will receive a prize of £5,000 which could be used to get experience abroad or help develop his or her own business.

A detailed leaflet/entry form — "Tell British Industry Where To Go" — is available over the counter at branches of Lloyds Bank and TSB Scotland, from any CBI regional office or by writing to the CBI at the address below, enclosing an S.A.E.

British Industry is determined that the next generation of management and skills should see the UK creating a better quality of life for all. To do that, it needs a fairer share of the nation's talent — people who will be leading the UK in the 21st century.

If you're 21 during Industry Year, entering this competition will help in this aim. More importantly, you will be taking a hand in your own future.

Whether you want to grow up in a vibrant, expanding country or be a curator in the world's largest industrial museum is very largely up to you.

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CBI INDUSTRY YEAR 1986

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THE ARTS

Television/Christopher Dunkley

Moving pictures speak much more than volumes

This article will ignore Michael Heseltine, Westland Helicopters and Leon Brittan, not because television failed to mention them in the past week (barely) but because there are more interesting matters to discuss. Every few years somebody in America writes a book offering an apocalyptic view of television. In 1980 it was Jerry Mander and the book, which was nearly as silly as the author's name, was called *Four Arguments For The Elimination Of Television.*

This time the author is Neil Postman, the book is called "*Amusing Ourselves To Death*,"* and it is a far more intelligent and interesting work. Yet in the end, for all its illuminating references to Aldous Huxley and Marshall McLuhan, and despite the author's desire to avoid "the possibility that my analysis will be interpreted as standard-brand academic whimpering, a kind of elitist complaint against 'junk' on television" it does seem to be making the same old complaint: television isn't literature, not print of any sort—in the American language used by Postman, it is not "typographic culture." Consequently it is inferior.

Nor is it just a little inferior, but catastrophically so. We are witnessing a "descent into a vast triviality" and "the content of much of our public discourse has become dangerous nonsense." Time was, says Postman, when "even in the columns of the newspaper giants—the Herald Tribune, the Times—prose thrilled with a vibrancy and intensity that delighted ear and eye."

Then came the electronic mass media with a language which "denied interconnectedness, proceeded without context, argued the irrelevance of history, explained nothing, and offered fascination in place of complexity and coherence." Postman has a great deal more to add, much of it lucid, sane and properly cautionary. But I think it is fair to say that this assertion is at the core of his book. The question is, how does that argument stand up against a week's concentrated viewing?

There certainly are programmes in which man's greatest single communications tool—the word—suffers. For example on Thursday Wynne Godley talked for half an hour in Channel 4's *Opinion* series about the shrinking of Britain's manufacturing base, and the longer I watched the more I wished I was reading his text for myself. Poorly served by a programme which froze him in medium close-up throughout, Godley exacerbated matters by narrowing his eyes, lowering his eyebrows to peer at the autocue, and then leaning forward threateningly as though about to climb down the lens into my sitting room. Any normal viewer's concentration on the words would have been distracted by the pictures.

Much the same occurred on Friday in the opening episode of BBC2's series *Three Painters* in which Sir Lawrence Gowing talked about Pieter Breughel. It was not so much the content which was questionable (though the claim that "Nobody had ever painted weather as he did" seems odd when you consider the Grimani Breviary and many 15th century books of hours) but the style and phraseology. If people are going to use constructions such as "He was intimating what was otherwise unavowable. . ." I would prefer to have a written copy and the opportunity to re-read. Alternatively, producer Christopher Burstall might have asked Sir Lawrence to use slightly more idiomatic speech.

With that suggestion am I speeding the descent into triviality? Do my criticisms of these programmes merely bear out Postman's worst fears? Surely not. You could find parallels to the visual distractions in Wynne Godley's presentation in many live lectures: professors with nervous tics frequently destroy the concentration of their listeners. Such distractions are not the fault of television but of the speaker. The most remarkable fact about Godley's thesis is that it was transmitted at 8.00 in the evening, bang in the middle of peak viewing hours, by our most popular medium. How many of those who saw it would ever have come across it if it had merely been published in an economics journal?

As for *Three Painters*, whatever the faults of the script we did, of course, benefit from television's very special techniques. One small detail will have to serve as illustration: Burstall mixed through from Breughel's painting of a playground to a modern playground scene in such a way that the transformation took the viewer unawares. The result was dramatic: in one fell swoop you appreciated not only Breughel's extraordinarily accurate eye for detail, but also the astonishing longevity — timelessness almost — of playground games. You could read the Opies for an entire afternoon without coming across a single piece of evidence as vivid as that mix.

When you spot that sort of telling detail on television (and in one week there are many) after reading Postman's strictures about television denying interconnectedness, proceeding without context, arguing the irrelevance of history and explaining nothing, you do start to wonder whether he ever watches anything except *Dallas*. His book argues that television's tendency to trivialise comes not simply from the domination of the ratings but from an inherent inferiority in the medium.

It is an accusation we have been hearing from teachers ever since television first appeared and Postman, predictably, is a university teacher. Like so many people whose success in life results from excelling in an academic system which relies almost exclusively on verbal skills all the way from kindergarten to PhD, Postman waxes lyrical about the joy of print; witness the passage above about prose thrilling with vibrancy and intensity.

It is true, obviously, that a television programme is not a book. But nor is a book a television programme. If we move to Saturday and the *Arena* special on BBC2, *Tango Mio*, we find a piece of work conveying what no book could hope to convey. There was much wrong with this 90-minute programme: it would have been strengthened by a reduction of anything up to two-thirds and by the insertion of a few sequences not tainted by irritatingly studied melancholia. But despite its shortcomings—or longcomings—its combination of music, interview and dance communicated far more about the significance of the tango in urban Argentina than any printed document could.

Moving on again to Sunday, and BBC2's "*Screen Two*" production *The Silent Twins*, a dramatised account of the bizarre life of two girls who are now in Broadmoor, we find a whole range of devices which are denied to print. Music, for instance, was used in a tellingly repetitive manner, and the single shot of the silent twins crossing and uncrossing their legs in unison "like Tiller girls," during an attempted therapy session, spoke volumes.

Sharon Parker and Shirley Parker in "The Silent Twins"

Similarly in Channel 4's *Chasing A Rainbow*, a profile of the black Folies Bergère star Josephine Baker, we find a combination of materials (archive film, still photographs, posters and other printed ephemera) and of techniques (voice-over, original sound recordings, interviews to camera) woven with great expertise into an item which not only conveyed to the onlooker a more rounded understanding of its subject than any book ever could, but included certain phenomena which are simply outside the scope of print: the timbre of Baker's voice, her stage sense and command of rhythm, and the quality of affection among those who knew her.

It would be interesting to have Postman watch this programme and then try to sustain his argument about television's inherent inferiority. And if he dismissed *Chasing A Rainbow* with his claim about television reducing all subjects to entertainment, then perhaps he could be shown another work by the same programme maker, Christopher Ralling: *The Voyage Of Charles Darwin*. That six-part series probably conveyed a greater understanding of Darwinian theory to a larger number of people than all the printed matter on the subject has ever achieved.

The BBC's *Far From Paradise* (episode 2 tomorrow) is only the most recent in a steady flow of television series about the growing perils to spaceship earth—over-population, nuclear accident, deforestation—which I suspect have led directly to the formation of "green" parties in several countries. Rachel Carson's book *Silent Spring* may have started the movement but television has sustained it.

Of course television is different from print, and of course Postman is right in echoing McLuhan and saying that the nature of the medium has a powerful influence upon the type and even the content of the message conveyed. But it is crucial, thank goodness, to remember that when he says "television" he means American television. So far we have managed to avoid going down the worst stretches of the American road.

** To be published in Britain by William Heinemann on February 10 at £9.95.*

Philharmonia/Festival Hall

Andrew Clements

Klemperer last year, Furtwängler this; the Philharmonia got the celebrations for the centenary underway on Monday in the Festival Hall. The programme was to have been conducted by Lorin Maazel, but he dropped out because of illness a few days ago. With great good fortune the Philharmonia was able to persuade Eugen Jochum, now in his 84th year, to take over the concert instead, giving the occasion a genuine resonance: the orchestra with which Furtwängler made his final British appearances conducted by a colleague and close friend, who gained his first permanent post (as principal conductor in Mannheim in 1929) at Furtwängler's suggestion.

The tradition that Jochum now represents almost alone is the tradition that produced both Klemperer and Furtwängler; in sensibility he seems to me to stand almost exactly half-way between them. Mozart's Jupiter Symphony and Beethoven's Seventh made up his programme with the Philharmonia, both grandly conceived accounts, yet consistently buoyant and flexible. If the Jupiter was genial rather than majestic, reassuring instead of imposing, it was no great loss. With a rich cushion of string sound to support them the woodwind soloists could practice their most perfectly moulded lines, knowing that their every detail would tell.

That almost paradoxical combination of textural warmth and transparency was characteristic also of the Beethoven: a first movement that gathered itself splendidly and discharged its accumulated tension with controlled exuberance, an Allegretto that contrasted extremes of dynamic and the most refined string polyphony. Accounts of the Seventh that eschew fast tempos often begin to sag when the finale is in sight; Jochum almost entirely avoided that. The last movement can take a greater input of nervous energy, but not if it is to sustain such masssive strength with vitality and effectiveness. The Philharmonia responded to Jochum's economical gestures with commitment and generosity; for once a programme alteration prodigiously exceeded expectations rather than confounded them.

Manon/Covent Garden

Clement Crisp

From the moment Antoinette Sibley stepped from the coach in the first act of *Manon* on Monday, it was quite clear that she was claiming the ballet she created in 1974—and has not danced for a decade—as her own. She found in this first scene, as she did throughout the ballet, Anthony Dowell as her partner, her beloved, and effortlessly right complement. She found, too, as her *alter ego*, Stephen Jefferies' Lescaut—and never before has Miss Sibley so stressed the emotional kinship between brother and sister. Best of all, she found her finest qualities, in this splendid maturity of her art, at their expressive and technical peak.

The readings from all three artists fired the ballet with magnificent passion, but it was Miss Sibley's evening. We had not seen a performance so musically feat, so sensuously responsive to the score, since she last danced Manon.

Time and again she shaped a dance phrase so that it flowered with the music, fed from it, took its life from it. Her sense of the physical pulse of the choreography; the way she turned her torso when she was lifted to fill the outline of the movement, marking an accent or stressing a gesture in perfect harmony with Massenet's luscious melodies, spoke of highest skill.

The second act solo, and the succeeding passage in which she is held and passed among a group of admiring men, were vividly beautifully, flirtatiously true. And at every moment—from the first appearance of the seemingly innocent girl, to the last despairing leaps into des Grieux' arms—the characterisation rivetted the eye. She was completely, and beautifully, the Manon described by de Maupassant: "loving, distracting witty, formidable, and charming." The capriciousness of her temperament, her wantonness, even her innocence, were exactly mirrored in the dance.

Her partnership with Anthony Dowell's des Grieux had all its former inevitability—they speak the same language—but her new collaboration with Stephen Jefferies' dark-tempered Lescaut marks an intensification of this Manon's character, in that Miss Sibley now shows her taking more emotional colour from him. We were seeing, I would venture, Miss Sibley mistress of the role as never before, and we must be grateful.

From the supporting company, serious, well-rounded performances, with an especial commendation for Fiona Chadwick as Lescaut's mistress, skimming the stage, and triumphing over every adversity of the drunk pas de deux in the second act with remarkable aplomb. The score sounded very well under Barry Wordsworth.

Scene from "Turandot" revived at Covent Garden last night Alastair Muir

Sting/Albert Hall

Antony Thorncroft

I always found the Police a rather turgid band, inhibited by the fact that the trio was built around Sting and his bass, not the most dynamic combination. Perhaps Sting felt the same for he is now touring the world with a very different backing, four black American jazz musicians.

The transformation is remarkable — out with the plod and in with the pizzazz. From the very first note of his Albert Hall concert on Monday the audience was taken on an exciting journey which, while not breaking new musical ground, revealed just how powerful and varied jazz funk can be. Some of the songs boogied along for fifteen minutes with no jot of tedium, and the unusual balance of instruments added a freshness rare in performances by superstars.

Sting concentrates on singing and is currently in sweet voice. Dominating on bass is Darryl Jones, who can actually make it sound emotional, while instead of a lead guitar there is Branford Marsalis on an array of saxophones. Behind them drummer Omar Hakin is unobtrusively powerful while Kenny Kirkland plugs the gaps on keyboards.

For over two continuous hours the quintet roars through music which combines the melodic artfulness of pop with the challenging thrust of jazz. The crowd was on its feet within minutes and Sting provided the material, and the stage dominance, to steadily intensify the stimulation. Even the slower songs, like "The children's crusade," are done at full throttle and there are singalongs, like "One world's enough for all of us" to make the audience feel needed. There was the odd unnecessary manifestation — dry ice covering up Hakim on his long solo, and a vast screen behind the band which stayed obstinately unused, but for once a pop star has changed up to a more challenging musical gear with satisfying results.

To start the encores Sting came back alone for "Roxanne" and all the old Police hits. Even here, with the more imaginative and forceful backing, old songs revealed new pleasures, especially "I'll be watching you." Sting looked relaxed about it all: he actually justified his reputation. As he quietly and soulfully sang "I hope the Russians love their children, too" the universal preoccupation with pop music, and pop musicians, seemed almost justifiable.

Residency for playwright

Playwright Elisabeth Bond, author of the film *The Assam Garden*, has been appointed resident dramatist at the Duke's Playhouse, Lancaster, and awarded an Arts Council grant of £2,125.

Balls and Chains/Lyric Studio

Martin Hoyle

Howard Lester and Andrew Alty are The Go-Go Boys, an engaging duo who are exploring male attitudes to sexuality at the Hammersmith Lyric's Studio.

Their last show charted the friendship between a conventional heterosexual and a cheerfully open-and-out homosexual, interspersed with revue-type sketches aimed at the self-deluding myths of masculinity.

Balls and Chains keeps to the same sexual distribution. In a home stripped of furniture, the pyjama-clad Harry, lecturer in mass communications at a Midland college, lets himself slide into slovenliness. Glued to the television, he claims his wife is away temporarily; a patent lie.

His old friend Mark comes to stay. He fled from the church on his wedding day and spent years in the army to "cure" his homosexuality. The play shows both men coming to terms with themselves, and (in the abrupt ending of a very short second half) Mark prepares to face his shamed family at last while Harry galvanises himself into going to find his Miriam.

Less obviously revue-inspired than its predecessor, the show flashes back to the men's childhood friendship and demolishes the sitting targets of TV commercials, *Rambo-type* violence and even *Brief Encounter* — though making fun of old films is surely as easy and pointless as mocking opera. Neat observations include the reminder that 10 per cent of the British public is homosexual, "more than voted SDP in the last election."

The show has points to make about the sad waste and dishonesty forced upon relationships by the demands of convention, the nervous competitiveness of men, the possibility of hurting bystanders (Harry's departed Miriam had been Mark's abandoned fiancée — not too hot at picking her men, obviously). The two performers remain polished and immensely likeable; as writer-directors they still need to hone their piece into shape and sharpness.

Another twist to Riverside saga

Riverside Studios, the Hammersmith arts centre which in its 10 year history has had more dramas about its financial survival than it has presented in its two performing spaces, is entering another vital week in a buoyant mood.

It has just signed a deal with developers which will at long last transform its attractive Thames-side site, bringing homes, offices and an industrial unit, but also opening up the studios towards the river, with restaurant and bars fronting a new riverside walk. The Studios will gain £350,000 to spend on the development, which it hopes to match with £350,000 from its own appeal.

The final confirmation of the deal should improve Riverside's chances when Hammersmith councillors meet in the next few days to consider subsidy for the arts in the borough. The Arts Council has offered £500,000, to be split between Riverside, the Lyric theatre, and a few small arts bodies. In effect it is switching some of its aid from Riverside to the Lyric in the expectation that the council will be prepared to give the money it will save on the Lyric to Riverside. In all the studios wants approaching £500,000 in subsidy for 1986-87.

It is ending this financial year with a turnover of £1m and a small surplus. It has cut its staff from 60 to 38 and is trying to boost its income by letting out its studios for rehearsal and TV programme making. It also hopes to return to mounting its own productions: next week the Beckett Trilogy, with Billie Whitelaw, opens, the first Riverside funded production for some time. At long last the Riverside saga could be approaching a happy ending.

Antony Thorncroft

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday: Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Jan 17–23

Theatre

LONDON

The Scarlet Pimpernel (Her Majesty's): Donald Sinden in resplendent plummy-voiced form as Baroness Orczy's one-man resistance movement to the French Revolution. Opera director Nicholas Hytner's efficient and sparkish production has smoke, tumbrils, rat stew and rolling heads. (930 4025).

As You Like It (Barbican): Much improved since last year's Stratford-upon-Avon season, Adrian Noble's loosely Edwardian production now emerges as a secret-garden adventure where Rosalind (Juliet Stevenson) has the sisterly devotion of Celia (Fiona Shaw) threatened by Orlando (Hilton McRae). A superb Jacques from Alan Rickman. The RSC Barbican repertoire also includes a fine Othello with Ben Kingsley and, in The Pit, Christopher Hampton's absolutely breathtaking, unmissable version of Les Liaisons Dangereuses (628 8795).

The Cherry Orchard (Cottesloe): Wonderful NT production by Mike Alfreds includes the scene Stanislavsky cut. Ian McKellen as Lophakin, Sheila Hancock as Ranevskaya, Hugh Lloyd as Firs, Edward Petherbridge as Gayev, Roy Kinnear as Simeonov-Pischik, Eleanor Bron as Varya. Sheer bliss and very funny. (928 2252).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

Les Misérables (Palace): Notably well sung and spectacularly produced rock opera from the Nickleby and Cats team of Trevor Nunn, designer John Napier and lighting man David Hersey, Colm Wilkinson superb as Jean Valjean. A melodramatic distillation of Hugo, and none the worse for that. The French score is rousingly melodic, with serviceable new lyrics from Herbert Kretzmer. (437 6834)

Camille (Comedy): Pam Gems's rewrite gives Marguerite Gautier a child for whose future security she exchanges her own frail health and love. Don Daniels's studio RSC production does not transfer that well, but Frances Barber is an actress to watch. More coughing on stage than in the stalls, for a change. (930 2578).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady, Beryl Reid rising inimitably above the material, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Jocelyn Herbert designs. (437 3686).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

WASHINGTON

In Regard of Flight (Kreeger): Bill Irwin's theatrical spoof shows off the mime's talent in confronting a man-eating stage curtain and a disappearing shoe on the quest of a new theatrical genre. Ends Jan 12. Arena Stage (488 3300).

Restoration (Arena): Edward Bond's combination of contemporary politics and 18th-century high jinx with music by Nick Bicat is directed by Sharon Ott of the Berkeley Rep. (488 3300).

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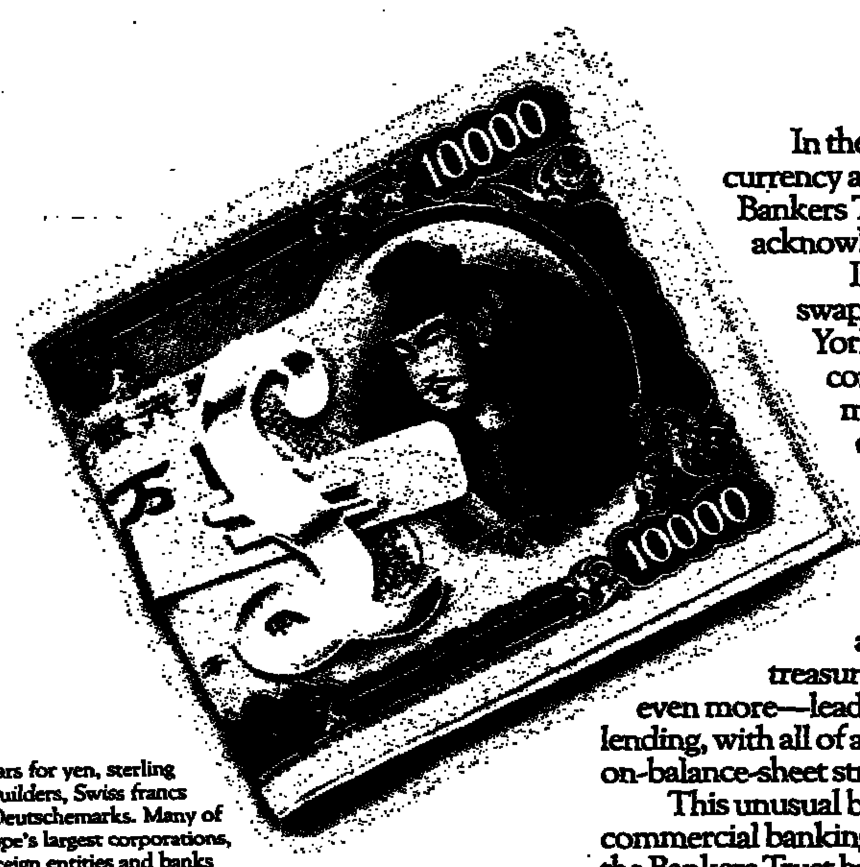

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On forgetting King Canute

WHEN a bear market develops in the highly liquid financial markets of today, there is very little the monetary authorities can do to check it. There are a number of ways, on the other hand, in which an uncomfortable situation can be made a good deal worse, both by financing unwelcome speculation and by political dithering; these are being demonstrated in London. The Government deserves some sympathy; it is always unpleasant to be forced to make a choice of evils, and especially so when those concerned are distracted with other matters. There is nothing at all to be said, however, for making no choice.

The background is admittedly a little puzzling to those who believe that markets are rational. Oil markets and interest rates are responding to two developments which ought not to have caused much surprise. Saudi Arabia has sharply raised its oil output, and the US Federal Reserve has declined to ease its already accommodative monetary policy any further. Since these policies were announced some time ago by two men who are widely regarded as being as good as their word, Mr Paul Volcker and Sheikh Yamani, they should have been discounted in the markets; evidently they were not.

It is the developments in the oil market which pose a particular problem for the UK. Ever since the Saudis announced that they were resigning from the role of swing producers to the world export market, the UK has been faced, as intended, with a choice: whether to accept the collapse of the cartel, and adjust to a sharp consequent loss in export earnings and Government revenue, or whether in effect to become an unofficial member of Opec.

Painful

The free market choice, which fits in with the Government's ideology, is nevertheless a painful one. The structural adjustment requires a fall in the real exchange rate, as indeed the Prime Minister acknowledged in a New Year interview, which implies somewhat higher inflation. Both the loss of revenue and the weakening of the oil current account argue against the tax cuts which are such a high political priority; indeed, with a further rise in the cost of debt service, already some £4bn above the level officially forecast two years ago, there may well be no scope for "fiscal adjustment" even if oil and sterling stabilise near their present levels. By agreeing to talks with the Saudis before the Opec meeting of February 4, the Government has conveyed the impression of dithering about this central choice.

Market management has also shown signs of split minds. Large-scale assistance to the money markets to hold interest rates at their present level has provided cheap finance for speculation. Small-scale intervention in the exchange markets has wasted reserves to no purpose.

The resultant mess can only leave still further doubt about what is left of the Government's monetary policy, once the central plank in its economic platform. As usual in a crisis, all sorts of unsightly fowls are coming home to roost. Attempts in the distant past to manage interest rates through overfunding, and the bloated liquidity which has grown up since these attempts were abandoned last summer, have helped to make sterling more vulnerable; sterling M3, a target invented as a result of the 1976 sterling crisis, remains a useful indicator of exchange rate vulnerability, if of nothing else. The leisurely reconstruction of the money markets—notably the creation of a commercial paper market—should have been completed long since.

Danger signal

This morning the Government will probably have to take some decisions; the renewed slide in sterling in New York last night was a clear danger signal. The only short-term decision which is likely to carry any conviction is to leave things genuinely to the market, neither assisting the money markets beyond the shortages created by official transactions, nor intervening in the exchange markets.

Once it has paid this belated tribute to the memory of King Canute, the Government can decide with slightly more time whether it has any policy about the price of oil and whether it is now ready, after the real adjustment imposed so forcefully, to join the exchange rate arrangements of the European Monetary System, and leave sterling less exposed. It is those decisions which will set the framework for responsible fiscal and interest rate policies, and no amount of wishful thinking in advance will alter that.

Mr Peres and the peace process

THE ARRIVAL in London last night of Mr Shimon Peres, Israel's Prime Minister, should mark the beginning of a more productive era in relations between Israel and the UK. The last official visit by an Israeli Premier to Britain—that of Mr Menahem Begin at the end of 1977—heralded a period which, despite the peace treaty with Egypt, was characterised by increasing coolness.

The 1982 Israeli invasion of Lebanon, the siege of Beirut, and the killing of hundreds of Palestinian civilians by Israel's Christian allies at the refugee camps of Sabra and Chatila, were events which sat uneasily alongside the more traditional British view of Israel as a democratic nation genuinely seeking to live in peace with its neighbours.

Mr Peres has in part succeeded in redressing the balance. He has withdrawn most Israeli troops from Lebanon, has made serious efforts to repair the rift in relations with Egypt, and appears anxious to establish a dialogue with King Hussein of Jordan on the future of the West Bank and Gaza.

Rotation

This has been achieved against the background of very serious economic difficulties and a Likud coalition partner that shares few of Mr Peres' objectives. According to the coalition agreement, the premiership will rotate in the autumn with Mr Yitzak Shamir, the Likud leader and currently Foreign Minister, taking over as head of government.

It is not a prospect which pleases in London, Washington or any Arab capital which espouses a negotiated settlement to the Palestinian issue. Mr Shamir voted against the peace treaty with Egypt, is opposed to any territorial compromise on the West Bank and believes Israel should stand out against any deal with Egypt on the tiny, disputed piece of territory at Taba. In the few months before he is due to hand over the premiership, it is important for Mr Peres to develop further the alternative view of Israel's future in the Middle East which had seemed in danger of being submerged during Mr Begin's aggressively nationalistic leadership.

Britain can help here. Apart for the length of its historical association and the deep pool of Foreign Office knowledge of the region, the British Government maintains cordial, sometimes very friendly, relations with virtually all the main parties to the conflict.

On the political level, Mrs Thatcher was an early member of the Conservative Friends of Israel and appeared persuaded after her trip last autumn to Egypt and Jordan of the need to satisfy at least some of the aspirations of the Palestinian people. She is also thought to have greater influence on President Reagan than any other western leader.

Atmosphere

Britain and Israel differ, quite sharply on occasions, about the best path to negotiations and indeed on the eventual shape of a settlement. But what should never be discounted, given the bitterness and hostility that exist in the Middle East, is the extent to which quite small gestures can help to create a new atmosphere.

A good case in point is Israel's continued building of settlements on the West Bank and Gaza and the attempted insertion of Jewish communities into predominantly Arab towns. It generates fierce opposition in the occupied territories and lends weight to those Arab states which argue that Israel is committed to a policy of creeping annexation.

The fragility of the Israeli coalition may prevent Mr Peres from freezing new settlement plans, but it would be reassuring for Israel's friends and the West's Arab allies to know this was his intention should he eventually secure a workable majority in the Knesset.

At a time when King Hussein's peace efforts are faltering and terrorism threatens to undermine the work of genuine moderates, almost any conciliatory gesture would be welcome. A peace process, whatever its flaws, must always be preferable to the alternative.

AFTER THE POLAROID RULING

Kodak looks for a new exposure

By Paul Taylor, Terry Dodsworth and Elaine Williams

KODAK'S decision, announced yesterday, to re-enter the market for 35mm cameras which it abandoned 15 years ag omarks an important shift of direction for the world's largest photographic company.

The move also provides a welcome distraction for Kodak only days after being humiliatingly forced out of the $1bn a year instant photographic business through losing a bitter 10-year-old patent dispute with its arch rival Polaroid.

The instant picture market, which accounts for just 1 per cent of worldwide camera sales, has never been much more than a sideshow for Kodak in terms of its total revenues. Yesterday's developments—which included details of 11 new products aimed at heading off Japanese competition for its highly profitable film and paper business—are thus likely to be of much greater long-term significance in what looks increasingly like head to head battle with Japan.

For the moment Kodak's main concern will be to count the cost of its domestic US court-room defeat. Its exit from the instant picture business will more than likely result in a fourth quarter charge of between $500m and $600m, not least because of its efforts to shore up its tarnished reputation.

Kodak is offering the worldwide owners of the 25m to 29m of its now-obsolete instant picture cameras generous exchange options. In the US, where 16.5m of the cameras have been sold, customers are being offered three alternatives. They can trade their cameras in for coupons worth $50 each to buy other Kodak products, swap their cameras for a Kodak disc camera and film priced at about $45 in discount stores, or exchange them for one share in the company's stock which has been hovering around the $47 level in recent days.

The exchange offer inevitably sent shrewd photographers and small-time investors scrambling to the stores to pick up supplies while they last. According to Kodak—which is limiting the exchange offer to three cameras per household—some camera speculators have been buying "two or three dozen units."

The court-room victory, meanwhile, represents a real windfall for Polaroid.

"It has given Polaroid a whole new lease on life," says Ms Brenda Lee Landry, a senior industry analyst with Morgan Stanley.

Polaroid's founder and long-time mentor, Dr Edwin Land, invented the instant picture business with the world's first instant camera in 1948. Over the next 30 years the Massachusetts-based company came to dominate the new market as the snap-happy parents of today's generation of baby-boomers lapped up its offerings.

By the late 1950s Dr Land was working on a new generation of Polaroid cameras, instant colour picture takers which would do away with the need to peel-apart the print from its chemical backing. Dr Land was particularly keen to produce this "litter-free" film after hearing that moose in Saskatchewan were being poisoned by the waste from earlier models

The relatively young Polaroid turned to Kodak for technical help to make its new colour negatives—sharing some of its instant camera secrets in return. In 1972, Polaroid launched the fruits of its labours, the highly successful SX-70 camera.

But the cosy relationship between Polaroid and Kodak fell apart in 1976 when Kodak launched its first instant picture camera breaking Polaroid's monopoly. Dr Land, a man with a reputation as a near-fanatic for protecting Polaroid's intellectual property, was outraged.

Six days after Kodak's entry hit the store shelves, Polaroid filed a suit charging that it had stolen proprietary secrets obtained during the companies' years of co-operation and that Kodak had "reverse engineered" the compact SX-70 camera. Among other things, Polaroid alleged that Kodak had infringed 10 of its 1,900 patents covering film and cameras. Kodak counter-sued claiming that Polaroid's designs were nothing more than new patents on old Kodak-patented processes.

Years of tense negotiations between the two companies failed to produce results, and the patent suit became one of the longest-running and most celebrated in US legal history.

Then last September—on Friday the 13th—a Boston judge upheld eight of the patents and ruled that Kodak had infringed seven of them. A month later Judge Rya W. Zobel imposed the permanent injunction which took effect on January 9.

Polaroid's court-room victory—won at a cost of $10m in legal fees—has come at a crucial time for the company and the instant photography industry.

Kodak took an estimated 35 per cent of the market following its entry in the mid-1970s but had since seen its market share slip back to between 20 and 25 per cent. In the meantime, both Kodak and Polaroid, which still obtains about 90 per cent of its $1.2bn in annual revenues from the instant photography business, have watched as interest in the market place has waned.

After peaking at around 13m units in 1978, the market for instant cameras has slumped to around 4.5m units last year. Among reasons for this sharp reversal are simpler and cheaper 35mm cameras and the growth in fast film developing outlets—growth which has cut into the instant picture's key advantage—speed.

Despite the steady erosion in the amateur instant picture market, Kodak's decision to quit for good will give Polaroid a financial shot in the arm. Not only should Polaroid be able to pick up some of Kodak's camera sales, but more importantly the company stands to gain on film sales. While margins on instant picture cameras are razor thin or non-existent, the margin on instant film is a juicy 80 per cent.

In addition, Polaroid could reap substantial damages—estimated by Wall Street to range up to $1bn—if Kodak's appeal against the recent patents ruling fails.

The financial boost comes at a time when Polaroid needs all the help it can get to reverse its flagging fortunes. After peaking at $85.2m in 1980, Polaroid's profits have been in a rut. In 1984 they fell by 48 per cent to $25.7m on sales which limped along.

Polaroid's problem is that it still remains essentially a one-product company. Even its one big success in diversification—marketing its instant photographic products to industrial and professional users—has not taken it away from its technological base. Other attempts at diversification have proved to be embarrassing flops.

Polaroid launched the instant movie camera amid much ballyhoo in 1978, about the same time that sales of VCRs were beginning to soar. The product, and Polaroid's $650m investment in the project, was a resounding failure which eventually led to the ousting of Dr Land as chairman in 1980. Last May Dr Land sold his remaining stake in the company, which is now run by two of his protégés, chairman William J. McCune, aged 69, and President Israel M Booth, aged 53.

Polaroid's other attempts to broaden its product range in recent years have met with only mixed success — for example an 8mm video camcorder made by Toshiba was test marketed early last year but quietly abandoned a few months later. Similarly in 1983, the company paid $5m for a fibre-optics research and development company with one employee. The one employee, dubbed "the six-million dollar man" by insiders quit a year later complaining about Polaroid's bureaucracy.

On the positive side, Wall Street analysts argue that the decline in the dollar should give Polaroid a significant boost in current earnings and that windfall cash flowing from Kodak's withdrawal from the instant picture market could help spur Polaroid's latest attempts to diversify into high-quality video tape, computer floppy disc and electronic imaging.

Wall Street is also pinning high hopes on a new line of Polaroid instant camera called the Series 7000 due to be rolled out this quarter, which the company claims offer substantial improvements in optics and almost the same picture quality as 35mm cameras whose sales appear to be peaking.

Polaroid's new camera system could be crucial to the company which has seen sales of its existing instant cameras plunge from a peak of 9.4m units in 1978 to around 3.4m last year. While some industry analysts believe the boom years of the amateur instant photography business are over, others suggest the new camera series could help lift annual sales back up to as much as 7m units.

For Kodak, whose profits picture has hardly been sparkling itself in recent years, the decision to quit the instant photography market will bring instant financial pain. Kodak has been forced to idle over $200m of assets; several hundred out of the 700 employees engaged in the instant picture business are likely to lose their jobs.

Longer term the impact on Kodak may be less damaging than it looks at first glance. Last year instant photographic products accounted for about $175m or about 1.5 per cent of Kodak's worldwide revenues and, according to most Wall Street estimates, the business was barely profitable.

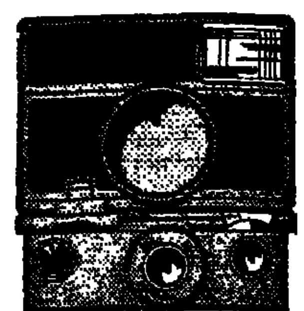
While Kodak would have undoubtedly liked to have retained its access to instant picture technology—particularly for use with the new generation of electronic imaging products—the company is now expected to set its sights on strengthening its existing businesses.

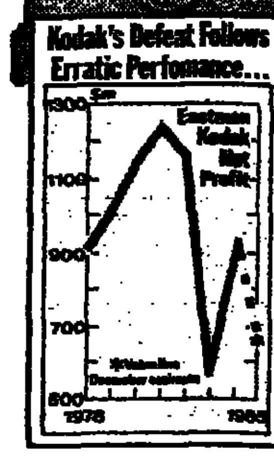
Yesterday's announcement of 11 new products—the largest number launched by the company at one time—reflects Kodak's attempts to bolster its sales of amateur film products in the face of increasing pressure from competitors like Japan's Fuji Film which has made inroads into Kodak's highly profitable film and paper business.

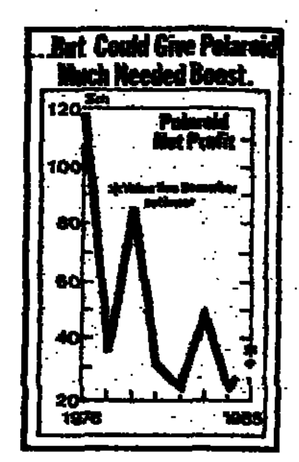
Kodak is trying to strengthen its position in the photographic market in three areas. It has entered the large and still growing 35mm camera business after an absence of 15 years; it will replace its main selling VR film range after only three years with a high quality range; and it has moved into the so-called mini-labs market. Mini-labs are small, computer controlled complete film processing machines which have become popular in chemists and specialist photographic outlets for the fast turn-around, high profit processing.

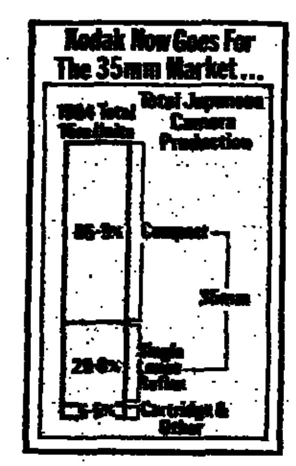
Mini-labs made, for example, by the French company, Kis, have encroached on Kodak's traditional large scale film processing business. By 1990s, nearly 25 per cent of all colour films will be processed this way compared with 10 per cent of the 54bn pictures taken worldwide this year.

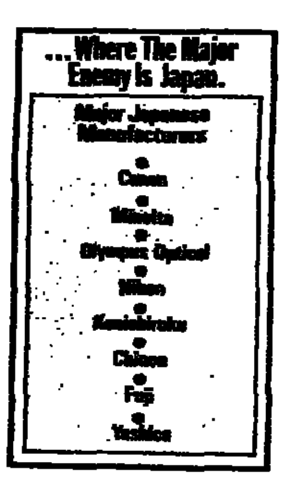
The 35mm compact cameras—which represents the spearhead of Kodak's strategy to win new business—will be made by Chinon, a Japanese company with a competing range. Faced with the stranglehold of the Japanese, there are some strong doubts whether Kodak's re-emergence in the 35 mm market will be successful. The new camera range, which starts at only £40 may instead damage its own growing disc camera market—a business it started only three years ago.











JAPAN'S STRANGLEHOLD ON THE QUALITY MARKET

Japanese companies dominate the 35mm camera market—which represents the bulk of the camera industry. Their success has rested largely on the compact 35mm, which accounts for about 70 per cent of the 15m units they turned out in 1985. It is sophisticated but simple-to-use and made in large volumes on highly automated production lines.

These cameras have been successful because they represent a compromise between the top-of-the-range 35mm cameras known as single lens reflex—which are difficult to use and expensive, but give good pictures—and the low-cost simple-to-use models wich produce lower-quality pictures.

Although Kodak once produced 35mm cameras, it has recently specialised at the low end of the market. It pioneered many new camera types with the introduction of the 126 instamatic cameras in 1963, the 110 cartridge cameras in 1974 and the disc camera in 1982.

The disc camera has been adopted by almost every camera maker—so far more than 20m have been sold by manufacturers worldwide.

Each Kodak innovation has become a market sector in its time, but all except the newer disc camera are in decline. Only 5 per cent of Japan's production comes from the 110s, the 126 and the disc camera.

The Japanese have not always had a smooth ride in the 35mm market. Only in the past year, for example, has the top end of the 35mm single lens reflex market started to improve after several years in decline. World sales dropped between 1983 and 1984 from 7m to 6m cameras.

This slump at the top SLR end was arrested by a number of technical innovations which have made these sophisticated cameras easier to use and more attractive to the less skilled photographers. Demand for the very top models, costing more than £200 apiece, has increased. Minolta has led in sales of these cameras though Nikon, Olympus and Canon are strong competitors.

This month, Canon launched its new T90 camera—a £400 model designed to compete with Minolta's flagship product, the X700, which has been on the market for a year. The T90 is so sophisticated, that it can even be linked to a personal computer.

Japanese companies believe that they can maintain interest in the 35mm market by introducing a series of technical innovations which will woo users of the simpler models to invest in a camera which can produce better results.

Men and Matters

Entente in Lille

Mrs Thatcher's friendly relationship with the socialist President Mitterrand of France, is, perhaps, one of the more unexpected achievements of her years in Downing Street.

Fresh from her latest meeting with him in Lille on Monday, the Prime Minister has again been telling colleagues what a very interesting man she finds him.

"You can talk to him about all sorts of things which have nothing to do with politics," she says. "We have very interesting conversations about history and literature." (She does not say whether they chat in English, French or Franglais).

Perhaps it is the literary air of French politicians that Mrs Thatcher finds so sympathique. Mitterrand is, of course, a prolific writer. And Mrs Thatcher confesses that, during Monday's ceremony, she had been particularly impressed by a phrase used by Pierre Mauroy, mayor of Lille and former socialist Prime Minister, during his speech.

Referring to the on-off saga of the Channel tunnel project over the years, Mauroy declared: "Men have ideas; but history only stutters."

Whose phrase was that, Mrs T asked him afterwards. "I thought of it myself last night," he replied.

European links

In his quest for stronger European co-operation in high technology, Peter Bonfield, chairman and chief executive of ICL, has recruited former diplomat, Sir Michael Butler, as a part-time consultant.

Until last October, Butler, 58, was Britain's permanent representative to the EEC where he developed a great admiration for the efforts of Viscount Etienne Davignon, then commissioner for industry, to forge a European answer to growing US and Japanese technological domination.

Freed from the constraints of diplomatic office, Butler is likely to favour rather more forceful government intervention on this front than his instructions from London, in the past, would permit. "We have to create a climate in which the Governments of the Community create real incentives for companies to co-operate in developing information technology," he says.

Among other things, Butler favours a "self-denying ordinance" which would stop the incentives for Japanese and American companies to set up plants designed to knock out European competition.

Ye Olde Goldman

Hash browns at 7.45 am and the Book of Mormon to peruse of an evening sound all too reminiscent of Salt Lake City. In fact, thanks to the City revolution, both delights are now available in the Square Mile — to be precise, at Ye Olde London tavern on Ludgate Hill.

The pub, a William Younger house and once distinctly down at heel, had the good fortune to be located in the office block on the corner of Old Bailey now occupied by Goldman Sachs. Scruffiness and American investment banking do not mix and the tavern has been totally refurbished to provide the sort of environment in which clean-cut executives can relax.

The ersatz charms include stained glass, quaint lighting and rather gaudy Chesterfield-style settees.

Besides an odd collection of books, which includes bound editions of the Spectator going back to the early 19th century and more recent comic annuals, the tavern boasts a "Mews Garden," the ambience of which is only slightly impaired by the building's aluminium flying butresses.

Investment bankers like to deal in round numbers and at Goldman's the beer sells for a pound a pint. Strange to say, there does not appear to be much demand for fancy American cocktails—Scotch bitter contracts seem to dominate trading on the floor of the house.

"You look very nice dear—probably make page three of Janes Defence Weekly"

Mustard men

The food, drink and pharmaceuticals company, Reckitt and Colman, which has always prided itself upon its home-grown management talent, is turning to a genuine Colman to be its next chairman.

Sir Michael Colman, aged 57, the group's director of finance, is taking over at the end of May from another long-serving company man, Sir James Cleminson.

Sir Michael's father, Jeremiah Colman, was a vice-chairman of the company in the 1950s. Sir Michael—a baronet—started working for the company in Hull in 1950 and joined the board in 1970. Modestly, he claims it was the strong management style of the other branch of the family business—the Reckitts—that most influenced him during his career

May will be a milestone of a month for Sir James Cleminson. He will be giving up the chairmanship of Reckitt and Colman—he is 65 in August, and retiring from his two-year presidency of the Confederation of British Industry, during which he has played a big part in raising the profile of the industrialists' lobby. And in July he will be taking up a new challenge as chairman of the British Overseas Trade Board.

Succeeding the redoubtable Lord Jellicoe at the BOTB will not be an easy task. But Cleminson, a Yorkshireman long since wedded to country pursuits in the quiet acres of Norfolk, points out that he has spent a large part of his life drumming up business for Reckitt and Colman in overseas markets.

BOTB is a semi-governmental body, under the wing of the Department of Trade and Industry, to promote exports. As Reckitt and Colman consistently sells 80 per cent of its products outside Britain, Cleminson seems an appropriate man for the job.

This year, next year . . .

John MacGregor, Chief Secretary to the Treasury, strayed from his usual public spending patch yesterday to give West Midland's businessmen a general pep talk on the state of the economy.

Trouble was, he appeared to trespass into the Chancellor's secret Budget territory—the Treasury's economic forecast for 1987. Inflation and economic growth would be within one point of each other next year for the first time since the late 1960s, MacGregor said in his prepared speech.

Embarrassed Treasury officials hastily explained that when the Chief Secretary talks about next year, he really means 1986.

Observer

BASE LENDING RATES

ABN Bank	12½%	■ Hambros Bank	12½%
Allied Dunbar & Co.	12½%	Heritable & Gen. Trust	12½%
Allied Irish Bank	12½%	■ Hill Samuel	§12½%
American Express Bk.	12½%	C. Hoare & Co.	12½%
Amro Bank	12½%	Hongkong & Shanghai	12½%
Henry Ansbacher	12½%	Johnson Matthey Bkrs.	12½%
Associates Cap. Corp.	12½%	Knowsley & Co. Ltd.	13 %
Banco de Bilbao	12½%	Lloyds Bank	12½%
Bank Hapoalim	12½%	Edward Manson & Co.	13½%
Bank Leumi (UK)	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount Credit Corp. Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	13½%
■ Brown Shipley	12½%	PK Finans. Intl. (UK)	13 %
CL Bank Nederland	12½%	Provincial Trust Ltd.	13½%
Canada Permanent	12½%	R. Raphael & Sons	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13 %
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co.Canada	12½%
Citibank NA	12½%	Standard Chartered	12½%
Citibank Savings	‡12½%	TCB	12½%
City Merchant Bank	12½%	Trustee Savings Bank	12½%
Clydesdale Bank	12½%	United Bank of Kuwait	12½%
C. E. Coates & Co. Ltd.	13 %	United Mizrahi Bank	12½%
Comm. Bk. N. East	12½%	Westpac Banking Corp.	12½%
Consolidated Credits	12½%	Whiteaway Laidlaw	13 %
Continental Trust Ltd.	12½%	Yorkshire Bank	12½%
Co-operative Bank	*12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
Financial & Gen. Sec.	12½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptrs.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		

■ Members of the Accepting Houses Committee.

* 7-day deposits 8.70%. 1-month 9.03%. Top Tier—£2,500+ at 3 months notice 12.06%. At call when £10,000+ remains deposited.

‡ Call deposits £1,000 and over 9% gross.

§ Demand dep. 9½%. Mortgage 13%.

INTERNATIONAL BANKING SUPERVISION

The Fed weighs the risks

By David Lascelles, William Hall and Peter Montagnon

THE rapid growth of international banking in the last few years has not just posed challenges for managers of the world's biggest banks. The authorities who supervise banks in the major industrial countries have also been trying to make sure that the rules of the international banking game are the same the wo'ld over, and that unscrupulous banks cannot escape to lightly regulated financial centres.

Although the Europeans and more recently the Japanese have been in broad agreement about how to measure the risks that banks are taking (and from that how much capital they need), a global accord has been beyond their reach because of the slowness with which this task has been tackled by the US, the world's largest banking market.

However, in a move which makes possible a major step towards the harmonisation of international banking supervision, the US Federal Reserve last week tabled a set of proposals which would, for the first time, bring the US into line with other leading countries. At present the Fed's judgment of a US bank's strength is based largely on the size of the bank's assets relative to its capital. Elsewhere a more qualitative judgment is made of the risk in a bank's loan portfolio.

The 32-page document concedes that "without some movement by the US authorities towards the use of risk-based standards, there would seem to be very limited prospects for achieving any meaningful degree of policy convergence" with other countries. For this reason it has been welcomed by officials of the Basle Committee of international bank supervisors headed by Mr Peter Cooke of the Bank of England.

The document lays out a system of measuring the amount of risk banks are taking by "weighting" their assets depending on how likely they are to lose money on them. This "risk asset" system is already used for banking supervision in the EEC, where it is the subject of a directive, and is shortly to be introduced in Japan. In the US, it would supplement the present system where all assets are deemed equally risky, whether they are US Treasury bonds or loans to Third World countries.

International harmonisation is only one aim behind the proposals. They also tackle one of the most vexing questions in banking today: the rapid growth in "off balance" sheet business such as letters of credit, used to finance international trade deals (where volume more than doubled at the big banks from $49bn in 1981 to $105bn in mid-1985) and note issuance facilities (NIFs) which are, by definition, risky because they amount to promises by banks to lend money to companies when the latter cannot raise it in the short-term securities market.

The Fed was worried that failure to discriminate between

The Fed's Paul Volcker

high and low-risk assets had encouraged US banks to take on riskier business because it was more profitable. It wants US banks to have capital underpinnings that reflect the risks they are running rather than just their size, a view which has wide acceptance. By Fed estimates, only 4 per cent of US banks with assets of over $1bn would show up badly in a risk asset measure, while two-thirds would come out well.

More controversial is the way the Fed proposes to categorise risk, and this is likely to be the focus of debate in the coming weeks.

The system breaks bank assets into four levels of risk ranging from pure cash where the risk is deemed to be nil, to loans which could be completely wiped out (see table). Clearly, banks and their borrowers will be worried that some some types of loans or transactions will be permanently "branded" by their category, and this could influence their cost. So the Fed has conceded, for example, that loans to top rate companies might win a higher rating than loans to the less creditworthy.

Also novel is the Fed's decision to distinguish between loans to banks and governments of "industrial countries" which rate as moderate risk and those in the rest of the world which count as standard risk. Obviously intended to cope with the effects of the Third World debt crisis, this proposal could act as an incentive to banks to lend to OECD countries, possibly at the expense of the less developed countries.

Bankers in the Euromarket are principally worried that increased capital requirements might undermine the fast expanding market in NIFs.

More than $50bn in NIFs were arranged last year, a figure which by some counts suggests these have ousted the traditional eurocredit as a medium for bank financing in the Euromarkets.

Underwriting fees plummeted in last year's highly competitive market so that a top-rated borrower like Gaz de France now pays just 5 basis points or hundredths of a per cent for the underwriting service.

Theoretically that should all change if the Fed's proposals are implemented. They call for underwriting commitments on note issuance facilities to be given a weighting of 0.3 when the risk asset ratio is calculated. In simple terms this means that underwriting commitments should be counted as having a value one-third of that of a straightforward loan when capital requirements are assessed.

But allocating capital to underwriting commitments would seriously impair profitability unless fees were increased. One US banker calculated this week that the fees would have to rise tenfold to produce a viable return. "There is no way we could carry on doing deals at 5 basis points," said another senior executive of a US bank in London.

Part of the problem is that the only return on an underwriting commitment is the fee itself. When a bank actually lends money it can add to its earnings by using its expertise in the money market to fund the credit at below market rates.

That is the rational argument, and yet euromarket experts remain very cautious about predicting what will happen in practice. They point out that the Bank of England's decision a year ago to impose even tougher capital requirements on the NIF business produced barely a blip in either pricing trends or actual market volume.

Also, bankers say that although US banks have been very active as arrangers of euronote facilities they have long since taken a back seat when it comes to taking on underwriting commitments. Statistics compiled by Euromoney show that while Bank of America arranged a bigger volume of euronote facilities than any other bank last year Banque Nationale de Paris actually took on the most underwritings and only two US banks — Bankers Trust and Bank of America — were in the top ten.

Not surprisingly, the immediate reaction of the US financial community to the proposals has been mixed. It has been aimed at the top 200 banks in the country and is expected to have a minimal impact on the rest.

Mr Donald Ogilvie, executive vice-president of the American Bankers Association, says that his group is "concerned that the proposal may reduce banks' flexibility to lend to certain types of business due to their assessed risks by regulators, and will make the industry less competitive with other financial institutions."

But the Fed's proposals are tentative and suggest, according to US bankers, that the US central bank is still feeling its way.

Among questions which have yet to be addressed are how to treat the fast-growing swap market, where borrowers exchange debt obligations in order to take advantage of conditions in different markets, now thought to be worth $200bn, and how to build in assessment of other kinds of risks that banks run, like foreign exchange and securities dealing.

If all these changes were instituted, life for US banks both in the euromarkets and in their domestic US business could take on a different hue. The trend towards securitisation of the banking business (the substitution of loans for tradeable assets like securities) might be slowed, and that less creditworthy customer for NIFs would have to pay higher fees.

International banking supervisors in the Basle Committee still have a long way to go before achieving their goal of global banking standards. They have yet to agree, for example, on the relatively basic questions of what capital is (does it include loan stock as well as equity?), and how much of it banks need to operate prudently, though these are now top of the agenda.

However, the introduction of a risk asset concept in the US would mean that all the leading banking countries had adopted a common approach to measuring a bank's strength. This is bound to bring closer the day when banks find there is no longer any profit in playing one financial centre off against another. On the other hand, they will also be competing on the "level playing field" they so frequently call for.

RISK CATEGORIES AND WEIGHTS

CASH AND EQUIVALENTS: 0%

MONEY MARKET RISK: 30%

(US Government securities, claims on US banks, legally binding loan commitments including Note Issuance *Facilities*).

MODERATE RISK: 60%

(US local authority bonds, all claims on banks and governments of industrial countries, local currency claims on banks and governments of non-industrial countries, letters of credit).

STANDARD RISK: 100%

(Typical bank loans, all other claims on foreign obligors, corporate securities).

UK monetary policy

MO is dead; long live money GDP

By Bill Martin

ON JANUARY 8, unannounced but not unnoticed, the Chancellor's favourite targeted measure of narrow money supply, MO, finally bit the dust. On that day, the Bank of England signalled the need for a one point rise in base rates to 12½ per cent.

Yet only 24 hours earlier, the financial markets were informed that, on slightly distorted figures, MO was growing below the bottom end of its target growth range. The unhappy coincidence of apparently overtight monetary conditions and the decision to raise interest rates robbed MO of what little credibility it still enjoyed in the Square Mile.

The failure of MO to convince as a credible monetary target stems in part from the not unreasonable feeling that the value of notes and coin in circulation — the major constituent of MO, — has little bearing on the economy's performance.

Nevertheless, the Treasury had hoped that MO would prove a reliable leading indicator of those features of the economy with which it was especially concerned, even if no causal link could be demonstrated.

The Treasury's principal concerns are inflation and the growth of money GDP — gross domestic product valued at current prices — which it rightly regards as a good guide to underlying inflationary pressures. With proven reliability as a lead indicator, MO, it was hoped, would earn the respect of financial markets.

This hope is now a forlorn one. It is quite possibly the case that movements in MO do, at times, presage movements in money GDP. MO enthusiasts like to cite the example of 1979-81, when the rapid deceleration in MO is said to have led the deceleration of money GDP by an average of two to three quarters. MO, apparently, reacted more quickly than did money GDP to high interest rates. But, in other circumstances, MO will typically follow, rather than lead, money GDP, as people adjust their holdings of notes and coin to new levels of income and expenditure. Sudden shifts in methods of payment — such as the movement towards cashless pay— can also at times obscure the relationship between MO and money GDP.

It is, therefore, most unlikely that MO will act consistently as a good early warning device. It did not escape financial markets' attention that the steady growth of MO in late 1984 gave no indication of the subsequent acceleration of money GDP growth and of inflation. A more formal statistical test which we have carried out confirms the same truth—that MO sometimes leads but also sometimes lags money GDP.

The failure of MO to convince, coupled with the suspension of the target for £M3, the wayward measure of

A target which the Chancellor should introduce in March

broad money supply, has left financial markets with a firm sterling exchange rate as the prime indicator of sound monetary policy. This is a profoundly unsatisfactory state of affairs. There are many influences on the exchange rate which have nothing to do with the soundness of the Government's counter-inflation policy. And there are many influences on inflation which have nothing to do with the exchange rate.

What the Chancellor needs is a credible alternative indicator of monetary policy which, if under control, would deflect the attention of financial markets away from the vicissitudes of sterling. The Chancellor would still need to be chary of sharp shifts in sterling which could destabilise market sentiment. But generally he would have rather more scope than he has now to determine his preferred exchange rate policy.

It is highly doubtful whether a revamped broad money supply target, expected in the Budget, will serve the purpose adequately. Having sought to educate financial markets in the distorted ways of broad money, the Treasury can hardly expect a new target to command much respect.

A far better alternative would be to introduce an explicit target for money GDP, expressed in terms of its year-on-year growth rate. A declining path for money GDP growth is already central to the Government's counter-inflation policy. Nevertheless, the Treasury has always fought shy of targeting it directly, preferring to use intermediate targets like the money supply.

One reason for this preference was the belief that money supply measures would act as lead indicators. But experience now shows that a forecast of money GDP growth has to be based on a regular assessment of the totality of available economic information, in which £M3 and MO may play some part.

The other practical objection to targeting money GDP directly is the frequency and timeliness of the official national accounts figures. Money GDP is measured on a quarterly basis and the figures only become available with a considerable delay. What the policy-maker therefore needs is a timely monthly measure of money GDP which will allow him to track its likely course between the publication of successive national accounts estimates.

Our own research has convinced us of the practicability of devising a reasonably reliable monthly measure which would be available a little over six weeks after the end of each month to which it referred. (Money numbers are available after three weeks.) The same monthly series can be used to derive a flash estimate of quarterly money GDP, available with about a two-week publication lag, which provides a reasonable indication of the first official estimate available nine weeks later.

It is true, of course, that the first official estimates are themselves subject to weaknesses. But thanks to an official study policy makers are now well placed to allow for the likely size of the revisions to the national accounts.

If the Chancellor wants to disabuse financial markets of the view that MTFS stands for Muddling Through with Firm Sterling, he should introduce an explicit money GDP target in his March Budget, in preference to money supply targets. It would bring a lasting improvement to the conduct of monetary policy.

The author is the senior UK economist at stockbrokers Phillips & Drew.

Letters to the Editor

Fashion in mergers

From Mr G. Hall

Sir,—The current fashion for mergers is proving particularly ironic to those of us who are observers of the merger scene. There is an unprecedented consensus among academics that the only people to gain from a takeover are usually the shareholders of the acquired company and often the senior managers of the acquirers. Why should it be that British managements should apparently have exercised such poor judgment? Some possible reasons follow.

They have consistently underestimated the size of the bid premium, that is the amount that the price of the would-be acquired firm rises on announcement (or even in anticipation) of the takeover bid. If the Stock Market is efficient, and in this respect there would seem little doubt that it is, this premium would rise to exactly equal the expected benefits from a merger.

Managements usually overestimate the expected benefits from a merger and underestimate the problems to which it will give rise. Economies of scale, for instance, are less powerful as an engine for lowering costs than is technological progress. British industry's international uncompetitiveness owes far more to its failure to invest in the latest technology than from its inability to exploit economies of scale. Moreover, severe organisational problems can result from a merger between two sizeable businesses and these can take years to resolve.

Mergers are probably, on the whole, not undertaken for economic reasons. Fashion plays a part and sometimes the desire to pre-empt a less welcome bid. More important, senior management in acquiring firms cannot be oblivious to the greater power and income that an enlarged firm will confer.

Graham Hall,
Manchester Business School,
Booth Street West,
Manchester.

The true cost of unemployment

From Mr T. Hart,

Sir, — I wonder how many other readers are struck by the absurdity of a long queue of traffic held up by a stationary double-decker bus as its driver collects fares; while 3m or 4m people stand in queues of another kind with their attendant ills of frustration, domestic discord, crime, drug abuse and political extremism, etc.

Whether the bus is run by a private company or a public utility, commercial accounting prevails. The true cost of employing a conductor, at the present time, however, is the difference between his wage and the sum of his unemployment benefit plus all the additional remedial services which come in the wake of high unemployment — DHSS, NHS, police and prison facilities, insurance premiums, etc.

The benefits from his employment will obviously accrue, not just to the people in traffic queues, but to society at large. While a private firm is judged principally by its generation of profit, with little regard for externalities unless through regulation, the principal measure for government should be "social profit," defined as the total benefit (expressed in monetary terms), minus the net cost of its actions.

Is the Minister for Employment making these calculations to arrive at the social profit to be derived from employing bus conductors and then creating the mechanisms — in the form of grants, subsidies, or regulation (after all, the bus is causing an obstruction) — to make it happen?

I only ask because when, last year, we smelt fire, it was parts of London, not Rome, that were burning.

T. Hart,
102 Elthorne Park Road, W7.

Union law in Germany

From the General Secretary, International Metalworkers' Federation

Sir,—The article on the crisis between German unions and the Government in Bonn (January 15) misses one absolutely fundamental point.

The proposed change in the law would immensely increase the employers' power in strikes through use of the lock-out.

The regional, industry-wide bargaining in West Germany means that if a strike arises both union and employers test their strength, the former by calling out the smallest number of workers but in key plants, with the open intent of maximising pressure and the latter by locking-out workers so that loss of income of union members makes them put pressure on their representatives for a settlement.

The families and children of employees are protected from the full blast of such lock-out measures by state benefit. It is this elementary social security the Government wishes to remove and open the way for employers in future strike situations to increase the numbers locked-out to a point where such hardship is caused that almost any strike would collapse.

The relations between employers and unions in the Federal Republic of Germany have been based on a delicate balance of power which has helped guarantee economic, political and social stability since 1949. The Government now wants very sharply to tilt those powers in one direction.

Incidentally, very few German trade unionists compare the current proposals with the Nazi era. Rather, the worry is that of a return to Weimar labour laws under which the employers very successfully used mass lock-outs to weaken unions to a very considerable extent during the 1920's.

Herman Rebhan.
Route des Acacias 54 bis,
Case Postale 563,
CH-1227 Geneva.

Footwear imports

From Mr W. Calvert

Sir,—Concerned to read (January 9) that restraints on Far Eastern non-leather footwear imports are calculated as costing the British consumer £28m a year according to a Trade Policy Research Centre study, we hastened to buy a copy.

The study turns out to be typical of many that have preceded it—a wearisome exposition of supposedly relevant theory, and then a calculation resting on a cardhouse of implausible and often fantastic assumptions to justify the theory.

To take one key example. Theory states that export restraints lead to higher import prices—but how can this be measured? The solution is to compare for 1982 average prices of imports from Taiwan (a restricted country) into the UK with those into—of all places—Hong Kong (with some adjustment for distance). The average UK import price is 13 per cent higher than the Hong Kong one: therefore, hey presto, the import restraints make the UK imports 13 per cent more expensive than they would otherwise be. Readers, blessed with common sense, will hardly need reminding that Hong Kong as a developing country will certainly import footwear of a generally lower quality.

Another way to judge the effect of the restraints on import prices is to compare relative movements before and after they came into force. The Taiwan situation is complicated as the voluntary export restraints (VERs) were preceded by a quota, so we have compared Korea, where a VER came into force at the beginning of 1979, with the rest of the Far East, where there was no change in the arrangements, and from where we import broadly similar types of footwear.

	Average import prices £s	
	Korea	All Far East
1978	1.37	0.99
1979	1.84	1.37
	+34%	+38%

Those who advocate unilateral disarmament on the trade front really do need better arguments than those in this study.

W. N. S. Calvert,
British Footwear Manufacturers' Federation.
72 Dean Street, W1.

Changing British lifestyles

From Mr W. Martin

Sir, — We have read (January 16) with interest the article by David Churchill on British lifestyles. This discusses the tendency for people to become rather less home-centred in their activities than had been anticipated.

Such behaviour is not perhaps as surprising as the article implies. Behind the shift lie factors such as: the absence of many major technological innovations coming on to the market in the near future to stimulate extra spending on home entertainment (but things will be different later in the decade and in the early 1990s); sustained rises in real incomes for the majority and an acceptance of today's higher travel costs; and the renovation and rejuvenation of much of the stock of leisure facilities in the UK that has been and is continuing to take place.

In essence, what we are seeing is a basic swing of the leisure pendulum away from the home after a period of heavy investment in TV sets, videos and other entertainment equipment.

W. H. Martin.
Lint Growis, Foxearth,
Sudbury, Suffolk.

Simplistic view of media

From Mr B. Smeed

Sir,—In Weekend FT's "Private View" article entitled "Third party not covered" (January 18) I was grieved to read the sub-heading ". . . . . David Steel looks at the way the media reports the Alliance." Media, being the plural of medium, should take the plural of the verb "to report."

One of your correspondents recently used the word "simplistic" intending to mean simple. The Shorter Oxford Dictionary defines simplistic as the adjectival form of simplist i.e. one who studies simples: a herbalist. The increasing misuse of simplistic as a more impressive form of simple is a practice which is growing, and is to be regretted.

Basil W. Smeed.
Westmount,
Cocking, Midhurst,
Sussex.

FINANCIAL TIMES
Wednesday January 22 1986

New IBM micros aimed at design market

By Louise Kehoe in San Francisco

IBM, the world's leading computer group, announced new microcomputer products yesterday, heralding the company's entry into the high-growth market for computer-aided-engineering workstations.

The new RT PC is designed for use in computer-aided design and manufacturing and is capable of tasks such as motor-vehicle and circuits design, which normally require much larger computers.

The introduction of the RT PC represents IBM's latest move to increase its already large share of the microcomputer market. The latest offering will compete directly with products from companies such as Apollo and Sun Microsystems, which both sell high-performance workstations to computer-aided design (CAD) and manufacturing companies. CAD companies such as Daisy Systems, Mentor Graphics and Valid Logic also have an important new competitor.

According to Dataquest, the US market research company, the market for computer-aided design and manufacturing workstations will more than double over the next three years from revenues of $3.4bn last year to an estimated $8.5bn by the end of 1988.

The RT PC is the first IBM product to take advantage of the company's "reduced instruction set" technology, which allows the computer to handle data at the high speeds required for complex technical applications. The RT PC also includes proprietary chips designed by IBM to enhance its performance. New high-performance displays were also announced for use with the RT PC.

Although IBM's announcement yesterday came as no surprise to industry analysts, they had also been expecting IBM to launch its long-awaited "lap-top" computer this week. This highly portable computer with built-in disk drives, modem and screen is now expected to make its debut this month. According to industry analysts, IBM has won a 15,000-unit order for the as yet unannounced portable computer from the US Internal Revenue Service. The value of the order is estimated at over $30m.

Kodak unveils plans for 35mm market

Continued from Page 1

The 35 mm compact camera market has been a considerable growth sector within the market. It is dominated by Japanese makers such as Olympus, Canon and Minolta. In 1984, 65.5 per cent of the 15m cameras made in Japan were compacts, and the percentage is growing every year.

Kodak dropped out of the 35 mm market in the 1960s – at its peak it made 100 different models – to concentrate on the simpler types of cameras, then much in demand, such as the Kodak Instamatics introduced in 1963, the 110 cartridge cameras in 1974 and, more recently, the disc camera launched in 1982. All but the disc camera are in decline.

The company has also faced increasing competition in its colour film business from companies such as Fuji film in Japan. Its new Gold range – which replaces its VR range introduced only three years ago – is intended to redress the balance.

Film processing is the backbone of its business. It recent years, the concept has expanded rapidly, and Kodak estimates nearly 10 per cent of all films are handled in such equipment worldwide. Typically a film can be processed in half an hour.

Kodak will be using equipment made by Maritsu in Japan and believes that 25 per cent of the process market will be taken by minilabs by 1990.

Folketing rejects EEC treaty reform package

BY HILARY BARNES IN COPENHAGEN

THE DANISH Folketing voted last night by 80 votes to 75 to reject the reforms of the European Community, which were negotiated by the heads of government in Luxembourg last month.

That placed the minority, non-Socialist coalition Government in a minority and Prime Minister Poul Schlüter is, therefore, expected to submit the issue to a consultative referendum, probably at the end of next month.

The Folketing, however, called on the Government to reopen negotiations on the reforms with other Community members and the Prime Minister is not expected to announce the referendum until he has received a response from the Community.

Mr Uffe Ellemann-Jensen, the Foreign Minister, will leave Copenhagen this morning on a lightning tour of five EEC capitals to present the Folketing's points of view and to receive members' reactions. He is to report to the Folketing's powerful market affairs committee on Friday. The referendum might be called shortly afterwards.

The Folketing's stand will present other Community members with a dilemma, as even if they are prepared to reconsider Danish objections to the reforms, the resolution fails to specify what concessions would win majority support. A renegotiation is therefore regarded as highly unlikely.

Mr Schlüter gave a warning that if it came to a referendum, it would in effect be a vote for or against Denmark's continued membership of the Community, although the question posed would be for or against the reform proposals.

It would have serious consequences for the Danish economy if the result eventually led to Denmark's withdrawal from the EEC, which would initiate a break with decades of rising affluence, he said.

Quentin Peel in Brussels adds: The Netherlands, currently occupying the EEC presidency, is expected today to announce the postponement of the ceremony to sign the EEC reform package, all but agreed by foreign ministers last month, after the Danish parliament's vote.

Scant support for EEC, Page 3

Peres meets US envoy in bid to secure pact on Palestinians

BY LAURA RAUN IN THE HAGUE

MR SHIMON PERES, the Israeli Prime Minister, will meet Mr Richard Murphy, the US Middle East envoy, in London tonight to try to remove the remaining obstacles to Israeli-Jordanian peace negotiations involving Palestinians.

The two main obstacles, Mr Peres said yesterday, are who will represent the Palestinian people in the light of Israel's adamant opposition to the Palestine Liberation Organisation, and the composition of an international forum in which the talks could take place. He added that his second meeting this week with Mr Murphy would show whether any progress on those points had been made by the Americans, who are currently acting as mediators. Mr Peres met Mr Murphy for four hours on Sunday night.

During a joint press conference with Mr Ruud Lubbers, the Dutch Prime Minister, Mr Peres sounded an optimistic note about the prospects for a peace conference. "What makes me more optimistic is that Jordan and Israel have agreed to start negotiations without prior conditions."

Israel believes the next move in determining a Jordanian-Palestinian delegation must come from King Hussein of Jordan, who should "come up with proposals that are acceptable to all sides," Mr Peres said. Mr Murphy, who has been conducting a secret shuttle diplomacy between London and The Hague, met King Hussein recently.

The two suggestions for an international forum have been, on one hand, the US and the Soviet Union and, on the other, members of the United Nations Security Council. But Mr Peres reiterated Israel's objections to the Soviet Union unless that country restores diplomatic relations with Israel and relaxes Jewish emigration. "Opening the gates for Jewry" is more important than diplomatic recognition, Mr Peres told Mr Lubbers on Monday.

Mr Peres was in The Hague for a three-day visit with Mr Lubbers, who chairs the EEC Council of Ministers, and other government leaders. Mr Lubbers was briefed on the Middle East peace process and discussions were held on Israeli relations with the Netherlands and the EEC.

The Israeli Prime Minister's visit has been surrounded by tight security arrangements in the Netherlands, where an earlier warning against possible attacks by Palestinian guerrillas was renewed last week. The Netherlands was alerted to possible terrorist attacks shortly before last month's Palestinian attacks.

Mr Peres is to meet Mrs Margaret Thatcher, British Prime Minister, and Sir Geoffrey Howe, Foreign Secretary, today.

Editorial comment, Page 16

Valmet postpones decision on joint lift venture with Otis

BY OLLI VIRTANEN IN HELSINKI AND IAN RODGER IN LONDON

VALMET, the Finnish state-owned engineering group, has postponed until February 4 a decision on whether to go ahead with a controversial plan to enter a joint venture to make lifts with Otis Elevator of the US.

The postponement was requested by the Finnish Government to permit closer examination of the employment implications of the Otis deal and a counter-offer to Valmet, made by Kone, the Finnish lift maker, on Monday.

The proposed Valmet-Otis venture has been strongly opposed by Kone, a family-controlled company, which competes with Otis in most world markets. Kone has expressed concern about job losses in its factories if competition in Scandinavia becomes more fierce, and has questioned the merit of a Finnish state-owned company co-operating with its most important rival.

Valmet officials still favour the deal with Otis. They fear that Kone would close the existing Valmet lift factory and concentrate production in its own plants.

The US company is offering Valmet-Otis the right to make Otis lifts for sale throughout Scandinavia and in the Soviet Union. Also Otis is a subsidiary of United Technologies, and Valmet is interested in gaining access to other UTC technologies in electronics, factory automation and aero-engines.

Otis is the world's leading lift supplier, with a 23 per cent market share, Kone is fifth with a 6 per cent share. However, Otis has only a very small presence in Scandinavia, where Kone is dominant. In Finland, it has a 60 per cent share, with most of the rest held by Valmet.

Otis has said that even if the Valmet-Otis deal does not go through, it will press forward a plan to build its market share in Finland to 30 per cent, with machinery supplied from factories elsewhere in Europe.

Call for securities co-operation

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

THE RAPID growth of trading in stocks and shares internationally makes it "vital" that regulators of securities markets in different countries start working more closely together, the Governor of the Bank of England said yesterday.

Mr Robin Leigh-Pemberton said securities regulators should be able to exchange information with their opposite numbers abroad to oversee international firms in the same way as supervisors of the banking industry do.

In an address to the American Chamber of Commerce in London, he welcomed the fact that the Department of Trade and Industry had agreed to hold bilateral discussions with the US Securities and *Exchange Commission* about establishing a workable relationship.

His comments reflect the UK authorities' concern that foreign securities firms, particularly those unsupervised through a banking parent, should be properly regulated in the London market after the London Stock Exchange is reformed this year.

Mr Leigh-Pemberton also said supervisory co-operation was needed to cover the growing number of securities that are traded simultaneously on several different markets round the world.

"In this environment it is difficult to know whether an orderly market is being maintained in a particular security – a problem that would not arise if it were listed and predominantly traded on a single exchange."

Stock exchanges, including the London Stock Exchange, are also seeking linkages that bring different regulatory systems into direct contact, and would have to be backed by agreements on exchanges of information.

Such linkages would bring different countries' legal systems into direct contact. But Mr Leigh-Pemberton said it was "daunting to contemplate the extent to which US official bodies claim to exercise authority outside US territory." Although the UK had defensive legislation to meet that threat, "the most productive approach would be to reach workable compromises on the limits of our respective jurisdictions."

"It would be a pity if trade in international securities, for example, were to flourish in relatively unregulated off-market locations because governments had failed to reach the necessary understandings to enable well run central exchanges to form effective trading links."

Editorial comment, Page 16; Fed weighs supervision risks, Page 17

BL angry over Spanish car import quotas

By Tom Burns in Madrid and Kenneth Gooding in London

AUSTIN ROVER, the UK car maker, reacted angrily yesterday to news that Britain has won only a modest increase in the number of cars it can export to Spain at a reduced rate of duty this year.

Italy's quota has been given a substantial boost, but its car makers continued to complain that the Spanish were discriminating against them.

Italian pressure for a better deal from Spain held up agreement within the European Community about the car quota, which should have been finalised before the end of 1985.

Austin Rover, the volume car subsidiary of state-owned BL, wanted a minimum reduced-duty quota of 7,000 cars for this year, compared with the 4,500 for 1985.

But its quota has been lifted to 4,847 (out of 5,000 for the UK), and Mr Trevor Taylor, Austin Rover's marketing director, complained yesterday: "This is a very unfair reward for the efforts of Austin Rover Spain. Someone must have a death wish for the UK motor industry."

In contrast, the UK Department of Trade and Industry described the new quota as "realistic" and said it represented more than the total number of British cars sold in Spain last year – about 4,600.

Austin Rover argued, however, that its sales in Spain had been rising fast and in the last quarter of 1985 were running at an annual rate of 8,000.

Cars shipped to Spain under the quota system will pay a 17.4 per cent duty compared with the normal tariff, reduced this year to 22.5 per cent from 36.5 per cent. Austin Rover claims the higher rate virtually prices cars out of the market.

The tariff is to be eliminated entirely over the next seven years, following Spain's entry into the Community.

The total reduced-duty quota for the Community countries this year is 28,000 (up from 15,000 in 1985) plus another 2,000 each for UK and Italy.

Italian car producers complain they have been badly treated in the past by Spain, alleging many beurocratic obstacles have been put in their way since 1980 when Fiat acrimoniously ended its 20-year association with Seat, the state-owned Spanish company.

Italy's quota this year is almost 7,000 (including just under 5,000 for Fiat and not quite 2,000 for state-owned Alfa Romeo) which is 22 per cent of the total, compared with the 14.6 per cent it was allocated in 1985.

However, the Italian industry was surprised by the paucity of its quota. One official commented: "This shows that Spain has not changed its attitude towards Italian car makers even though Spain is now a full member of the European Community."

Austin Rover's share of the total quota rises only slightly, from 14.9 to 15.6 per cent this year.

The British and Italian producers are particularly bitter about the quota because Spain is a major car exporter to other parts of the Community but pays only a 4.1 per cent tariff. General Motors, the Vauxhall-Opel group, imported 61,358 cars to the UK from its Spanish factory last year (up from 55,442 in 1984) while Ford's Spanish car imports rose from 39,906 to 43,599.

Seat also recently started selling its cars in the UK so total imports in 1986 could reach 10,000 a month. Seat has done well in Italy, capturing a 2 per cent market share with annual sales of about 320,000.

Singapore questions Malaysian

Continued from Page 1

As for Pan-Electric, the shareholders now stand to lose everything and the company's 37 bank creditors can only hope to recover something from a liquidation or a sell-off of assets. The biggest lenders are Standard Chartered of the UK and Citibank of the US.

Last month Mr Tan reached an agreement with the banks under which he would take over Pan-Electric's share purchase commitments and inject S$40m into the company. The banks were to suspend debt payments for three months and work out a financial restructuring package.

Yesterday, however, Mr Tan failed for a third week in succession to produce an S$8m tranche of this, sought by Price Waterhouse, Pan-Electric's receivers.

THE LEX COLUMN

A cold wind from the sea

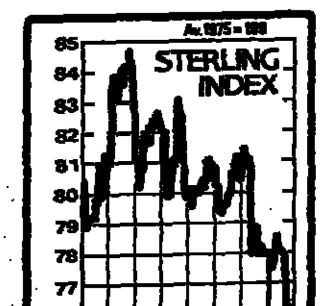
Letting the sterling exchange rate take the strain caused by falling oil prices is by no means an absurd idea. Parallels with last year's version of the oil and sterling drama – a race for parity with the dollar, halted by the return of Minimum Lending Rate – are painful; but though spot crudes are around $8 a barrel cheaper than at the start of 1985, sterling is at any rate sliding from higher up the slope, cushioned by the relative softness of the dollar.

If the pattern is thus recurring at a less critical exchange rate (one from which a controlled depreciation might even be sought as a prelude to full EMS membership) that did not prevent the same old sinking feeling from taking hold of the markets yesterday. A sudden acceleration, unhampered by any visible intervention in foreign exchange trading and aided by the provision of help to the money markets, was unwelcome all round.

Unguarded remarks from every quarter served to raise the fear and uncertainty quotient in both oil and currency dealing. If the Bank of England really was steering people to believe that it was against doing anything to prop up sterling – at any rate by pushing up base rates – markets could be forgiven for hearing echoes of similar invitations to speculative selling that really were made last year. The off-hand pronouncement of a Libyan official at OAPEC, to the effect that God had given Opec a mandate to produce 18m barrels per day, was enough to end quite a promising bear-squeeze in North Sea crude.

Even without this form of help, Japanese traders are testing to the full the Saudi policy of divide and rule. Buying cheap North Sea cargoes to ship out East is a risky form of geographical arbitrage, if the Saudis really are set upon maintaining output at the expense of price. Whatever the actual overhang of current production over consumption when it is landed a month hence, it is unlikely to give much support to the price.

If Mrs Thatcher is serious about her preference for high interest rates over high inflation, yesterday's promotion of easy conditions at the short end of the money markets – where overnight money was sometimes available at 2 per cent – may come to seem a piece of monetary dithering by the authorities. The optimum time for effective action on sterling through the interest rate has been allowed to pass. If a late jab at interest rates allows short selling to continue, the budgetary arithmetic may look cramped indeed.



Macarthys

Whatever the ultimate purpose of the small institutional putsch at Macarthys Pharmaceutical, it has at least helped add a little polish to the target's performance. The increase in interim pre-tax profits, of 19 per cent to £2.5m, may not be quite the most resounding endorsement of the company's prospects; but it makes a nice change after five years on the flat.

It could be argued that the company's in-house rationalisation – as opposed to that implied by the institutions as a consequence of their partial offer – has taken rather a long time. After all, it scarcely requires the move from central to individual computerised stock-taking to reveal that surgical trusses are not the fastest moving items; and the write-down of such things to a sixth of their book value must be a sage step. But then Macarthys is so unprofitable that it needs only a one percentage point improvement in distribution margins on a small sales increase to double last year's pre-tax contribution.

The institutional offer is now at a 5p discount to the Macarthys share price, unchanged at 270p, so shareholders will need to be very convinced of the untried virtues of the institutional management to abandon the devil they know.

Commerzbank

As the worst capitalised of the big three West German banks, Commerzbank always had the furthest to catch up to meet the new banking law's stricter capital requirements involving the consolidation of foreign subsidiaries. But the bank promised at the time of last year's issue of profit-sharing certificates – deemed as capital for the purposes of the law – that there was lots of time and no rights issue was in the offing.

However, it would have taken superhuman patience to resist the rerating of the West German stock market, and of bank shares helped by the Deutsche Bank purchase of the Flick concern, since the autumn; and even with bond yields still showing a 4 per cent or so real return, domestic investors are now outstripping foreigners in buying the equity market. So Commerzbank yesterday duly followed Deutsche Bank's DM 1bn issue with a DM 900m issue of its own – and one priced at what is for German standards a positively stingy discount of under 15 per cent; and where these two lead, can Dresdner be far behind? No doubt, the banks – and the chemical companies, for that matter – would also rather sort out their fund-raising in good time for the election campaign next winter.

Hanson/Imperial

The defensive position of Imperial Group is so awkward – it has to show itself more valuable than the Hanson offer without conceding that the UB merger is a giveaway – that nobody could have much trouble scoring points at Imperial's expense. Hanson's brief letter duly picks off some tempting targets, centring on the Imperial asset revaluation. As Hanson observes, it is not arithmetically possible to raise the asset base without depressing the apparent rate of return; the fact that revaluations also pull additional depreciation out of the profit line only makes matters worse. Similarly, without a parallel revaluation by UB, Imperial's move is bound to create a strong impression of a rattled company paying a premium to be taken over by the management of its choice (in this case, UB). Nevertheless, the market will surely require more than a demonstration of debating technique from Hanson; an increased offer seems essential.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	13	55	Dubrovnik	S	14	57	Malaga	–	–	–	Salzburg	S	7	45
Akrotiri	C	12	54	Faro	S	16	61	Malta	F	16	61	Seoul	F	0	32
Algiers	F	16	61	Florence	S	9	48	Manila	S	29	84	Singapore	F	29	84
Amsterdam	R	7	45	Frankfurt	R	4	39	Miami	C	24	75	Stockholm	C	2	36
Athens	S	15	59	Funchal	S	18	64	Milan	Fg	3	37	Strasbourg	F	5	41
Bahrain	S	13	55	Geneva	S	4	39	Moscow	Sn	-7	19	Sydney	S	26	79
Bangkok	S	33	91	Gibraltar	F	15	59	Munich	S	6	43	Taipei	F	20	68
Barcelona	–	–	–	Guernsey	F	10	50	Nairobi	C	26	79	Tangier	–	–	–
Beirut	F	14	57	Helsinki	Sn	-7	19	Naples	F	16	61	Tehran	–	–	–
Belgrade	S	10	50	H. Kong	S	20	68	New Delhi	S	20	68	Tel Aviv	S	16	61
Berlin	F	6	43	Innsbruck	S	1	34	New York	F	7	45	Tenerife	–	–	–
Biarritz	C	11	52	Inverness	F	4	39	Nice	F	12	54	Tokyo	C	7	45
Blackpool	C	6	43	Istanbul	S	10	50	Oporto	C	10	50	Toronto	C	0	32
Bordeaux	R	7	45	Jersey	F	7	45	Oslo	Fg	-5	23	Tunis	S	12	54
Brussels	R	7	45	Jo'burg	F	24	75	Paris	C	8	46	Valencia	–	–	–
Budapest	S	7	45	Las Palmas	F	19	66	Prague	S	5	41	Venice	F	6	43
B. Aires	S	28	82	Lima	S	24	75	Reykjavik	F	-5	23	Vienna	S	7	45
Cairo	F	17	63	Lisbon	C	11	52	Rio de J'o	C	33	91	Warsaw	C	4	39
Cape Town	C	21	70	Locarno	S	6	43	Rome	F	14	57	Zurich	S	4	39
Caracas	C	28	82	London	F	10	50								
Casablanca	–	–	–	Los Angeles	F	20	68								
Copenhagen	R	5	41	Luxembourg	C	4	39								
Corfu	S	16	61	Madrid	C	11	52								
Dublin	F	4	39	Majorca	–	–	–								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

UK may cancel Nimrod

Continued from Page 1

Mr Younger is believed to feel that, if Nimrod is to be cancelled, he must take the decision early in his tenure of office and the sooner the better in terms of both of the defence budget and his own political credibility. However, he must convince not only the Treasury but also his Cabinet colleagues that this would be the best course.

Whichever way the Cabinet decides, however, there seems certain to be a political row, even though the critical decisions on the Nimrod project were taken by both Labour and Conservative governments.

In particular, there would no doubt be political capital to be made out of the decision to abandon Nimrod and buy US aircraft, given the extraordinary controversy which has been generated by the possibility of Sikorsky, a subsidiary of a US conglomerate, taking a minority shareholding in Westland.

According to unofficial estimates Britain could buy about six Awacs aircraft, including the necessary package of support for them, for the sums which it would have to spend in the hope of making Nimrod work fully. It is suggested that the Boeing aircraft could be in service within the next three years.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday January 22 1986

Weak demand puts Data General on thin profit margin

BY PAUL TAYLOR IN NEW YORK

DATA GENERAL, the Massachusetts, US supermini-computer maker struggling to reverse a recent sharp earnings setback, remained barely profitable in the latest quarter, reflecting continued weak demand and sagging equipment revenues.

The company posted net earnings of $1.1m or 4 cents a share in its fiscal first quarter ending December 28, compared with net earnings of $23m or 87 cents a share in the year-ago period. The results reflect a continuation of the abrupt sales downturn last year which led to a fiscal third-quarter net loss and a break-even final quarter.

Data General said its revenues in the latest period fell by 12 per cent to $293.7m from $333.7m a year earlier. Operating income in the fiscal first quarter plunged to $4.3m or 1.5 per cent of revenues compared with $35.8m or 10.7 per cent of revenues in the year-ago period.

The results were slightly worse than Wall Street had expected and came despite the fact that the company renegotiated an existing long-term sales contract for equipment sold during previous quarters – a move which lifted equipment sales by $3.5m and added 6 cents a share to net income.

Mr Edson de Castro, President, said: "Although our current results are compared to the strongest quarter in company history, I am particularly disappointed by the weakness in equipment revenue. Current quarter results reflect a continuing lack of demand in our business sector."

● Profits at Burroughs, the US computer and office equipment group, advanced by 22 per cent in the final quarter of 1985 to leave the company slightly ahead on the full year.

Net income for the year amounted to $248.2m, or $5.46 a share, against $244.9m, or $5.40 a share in 1984. In the last quarter, it rose to $115.3m, or $2.42 a share against $94.4m, or $2.08 a share.

Sales were ahead by 8.8 per cent on the year at $3.53bn with a rise of just over 11 per cent in the final quarter to $1.09bn.

The figures have come only a few days after IBM, the industry leader, warned investors not to expect much of an order recovery in 1986. However, Mr Michael Blumenthal, Burroughs chairman, said the company had begun to benefit from the recent decline of the dollar and "what appears to be improving business conditions in the US."

HIGHER LOAN LOSS PROVISIONS HIT MAJOR US BANKS

Citicorp earnings dip 7% during quarter

BY PAUL TAYLOR IN NEW YORK

CITICORP, the world's largest banking group, yesterday reported a 7 per cent decline in fourth-quarter net earnings. This mainly reflected a sharp fall in profits from its core institutional or corporate banking business because of higher loan write-offs and larger loan loss provisions.

However, despite the fourth-quarter earnings decline, Citicorp managed to post a 12 per cent gain in full-year net earnings paced by substantially higher profits from its individual or retail banking business.

Separately, Manufacturers Hanover – the fourth largest US banking group – reported a modest 2 per cent advance in fourth-quarter net earnings while full-year net income advanced by 15.6 per cent.

Citicorp said fourth-quarter net earnings fell to $243m or $1.68 a share fully diluted from $281m or $1.90 a share a year earlier. Of the group's three divisions only individual banking posted an earnings gain, up $8m to $77m.

For the full year, Citicorp posted net earnings of $998m or $7.11 a share fully diluted, compared to $890m or $6.36 a share in the year-ago period on total revenues which increased by 28 per cent to $8.5bn.

The New York-based banking giant blamed the final-quarter and full-year decline in corporate banking profits on "a significant increase to the commercial loan loss allowance and higher write-offs" which it blamed on "continued weakness in certain industries, both domestically and overseas."

Manufacturers Hanover posted net earnings of $108.3m or $2.30 a share in the final quarter compared to $106.2m or $2.14 a share in the year-ago period. The earnings advance helped boost full-year net profits to $407.5m or $8.38 a share from $352.5m or $7.12 a share on net interest revenues which grew by 12.75 per cent to $2.24bn.

The banking group noted that in both the quarter and the full year, higher interest and non-interest revenues – buoyed by $53.5m fourth-quarter pension fund special gain – were partly offset by larger provisions for possible loan losses which were well in excess of net charge-offs.

The provision for possible loan losses totalled $205.6m in the final quarter, compared to $146.9m a year earlier, and $622.8m for the full year compared to $394.8m. Net loan charge-offs grew from $99.1m to $259.2m in the quarter

Manufacturers Hanover said its total non-performing loans fell to $1.53bn or 2.62 per cent of total loans at year end, down from $2.06bn at the end of September and $1.71bn a year ago. The decline reflected $607m of public sector Argentine credits being restored to an accrual basis – leaving $131m of mostly private sector Argentine loans on non-accrual status at year-end.

Among other major US banks reporting results yesterday:-

● First Interstate Bancorp, the Los Angeles-based banking group, said fourth-quarter net earnings increased by 13.4 per cent to $84.8m from $74.78m.

● Mellon Bank, the Pittsburgh-based banking group, reported a 4.5 per cent increase in fourth-quarter net earnings to $45m from $43.4m a year ago.

● Wells Fargo, the San Francisco-based group, said fourth-quarter net earnings grew by 10.1 per cent to $49.05m from $44.55m.

● Bank of Boston, the fast-expanding New England-based banking group, posted a 70.3 per cent decline in fourth-quarter net earnings to $43.8m from $74.6m in the year-ago quarter when earnings were bolstered by a $105m gain on the sale of a building.

W. German bank to raise DM 900m

By Jonathan Carr in Frankfurt

COMMERZBANK, one of West Germany's leading commercial banks, is raising DM 900m ($364m) through a rights issue and plans to boost its dividend for last year to 16 per cent from the 12 per cent paid for 1984.

The action comes after a year of record earnings, during which the parent bank raised operating profit by 38 per cent to surpass DM 1bn for the first time.

Commerzbank is the second of the "big three" German banks to take advantage of soaring profits and a buoyant stock market to boost capital.

Last November Deutsche Bank raised more than DM 1bn through a rights issue but has not said whether it will also increase its dividend above the current 24 per cent level. Dresdner Bank has pledged an (unspecified) dividend boost but has not so far moved to raise capital.

Commerzbank is raising basic capital by DM 150m through an offer of two new DM 50 nominal shares for every 15 held at a price of DM 300 each. The offer will be made between February 3 and 17 and the new shares will be eligible for a dividend from the start of this year.

The move will raise liable capital to DM 4.18bn and take Commerzbank another marked step towards fulfilling the tougher capital-to-lending provisions of the revised credit law.

In another move, BHF Bank, the merchant and commercial bank, is raising DM 159m through a one-for-10 rights issue. The issue will increase basic capital by DM 21.3m to DM 197.4m. The bank will offer the new DM 50 nominal shares at DM 375 between February 5 and 19.

BHF Bank said that it had already met the tougher equity provisions of the credit law

Lex, Page 18

Heavy restructuring charges lead to $16m Alcoa loss

BY WILLIAM HALL IN NEW YORK

ALCOA, the leading US aluminium manufacturer, reported a $16.6m loss for 1985 after charging off $156.9m of unusual items mostly related to the restructuring of its business announced last month.

The group took a $138.8m charge in its fourth quarter to cover the closure of 350,000 tonnes of smelting capacity and related refining capacity, and wrote off another $36.2m on its equity investment in a Venezuelan operation. This was partially cushioned by a $30.4m gain on the sale of a Canadian power subsidiary.

Mr Charles Parry, Alcoa's chief executive, said that "stripping away the unusual items, Alcoa generated a profit of $140.3m from ongoing operations for the year. Although this level of earnings is unsatisfactory, the results were better than we had expected early in the year."

As part of its effort to control spending, Alcoa cut its scheduled capital spending in 1985 by a fifth to $538m but expects to increase this to $610m in the current year.

The company expects US aluminium industry shipments to remain near 1985's level of 15.2bn pounds. Mr Parry said that 1986 will be a year of challenge particularly in light of the fact that contracts with the major unions expire at the end of May.

Alcoa's revenues fell from $5.8bn in 1984 to $5.2bn in 1985 and a net loss per share of 23 cents in 1985 compared with net income of $3.13 per share in 1984.

● Alcan Aluminium of Canada has reported a major loss after special charges for 1985. However, the recent firmer trend on the London Metals Exchange and Comex has improved prices received for its ingot from North American customers, writes **Robert Gibbens in Montreal.**

For the fourth quarter Alcan reports consolidated net profit of US$ 3m compared with US$20m or 20 cents a share a year earlier. However, after special charges of US$350m or US$215m after tax, there was a net loss of US$212m or US$2.13 a share.

For all 1985 consolidated net profit was US$72m before special charges. But after charges totalling US$252m post tax, the net loss was US$180m or $1.81 a share, compared with net profit of US$253m or US$2.59 a share in 1984.

Average shares outstanding for 1985 totalled 99.4m against 97.8m.

Most of the special charges related to writedowns in the value of Alcan's investments in bauxite and alumina, as disclosed a week ago. The rest covered rationalisation, restructuring and inventory writedowns.

Consolidated revenue for the fourth quarter was US$1.46bn against US$1.28bn a year earlier.

● Alusuisse, the Zurich-based industrial group, announced yesterday that it faces additional depreciation requirements, following an undisclosed loss in 1985, writes **John Wicks in Zurich.**

The company said also that difficult circumstances in the world aluminium industry had caused "an immediate solution in the problem of succession in group management."

The board has already accepted the resignations of Mr Emanuel R. Meyer, chairman of the parent company, Swiss Aluminium, and Dr Bruno Sorato, chief executive officer. Last week, the company has said that they would resign by the April shareholders' meeting "at the latest."

Mr Meyer had not been due to retire until 1988, and Dr Sorato at the end of next year.

As had been expected, the new chairman will be Dr Nello Celio, who held that position before joining the Swiss Government cabinet in 1967.

Roche expects profits to show further gain

BY JOHN WICKS IN ZURICH

HOFFMANN-LA ROCHE, the Swiss chemicals concern, expects a further improvement in group earnings for 1985 after an 8.1 per cent rise in turnover to a record level of nearly SFr 8.94bn ($4.2bn).

In the previous year, group profits had already grown by 15.8 per cent to SFr 380.2m, permitting an increase in the parent company dividend from SFr 575 to SFr 600 a share.

The sharp drop in the dollar exchange rate in the second half of 1985 led to a marked slowdown in Roche's sales growth during the year. In the first half, turnover had been as much as 17 per cent higher in Swiss-franc terms than for the corresponding 1984 period.

In terms of local currencies, sales increased by as much as 34.5 per cent last year. This was, however, in part the reflection of business in high-inflation countries of Latin America, without which the local-currency growth rate would have been about 12.5 per cent.

Sales by the pharmaceuticals division, which accounts for the bulk of Roche sales, were above budgeted levels and benefited from the strong dollar of the first six months. In addition, imitators of Roche's 'Valium', which lost US patent protection in February, did not appear on the market until towards the end of the year. In all, pharmaceuticals turnover was up 9.4 per cent to SFr 3.79bn.

Budgeted projections were reached in respect of vitamins and fine chemicals, although they showed only 2.2 per cent growth to SFr 2.34bn.

A similar competitive situation confronted the group's perfumes and flavourings division, where an 8.8 per cent sales growth to SFr 957.8m is described as considerable

French Total group recovers

BY PAUL BETTS IN PARIS

TOTAL-Compagnie Française des Petroles (CFP) expects to report net earnings of more than FFr 1.5bn ($198m) for 1985, Mr François Xavier Ortoli, chairman of the French oil group said yesterday.

This compares with net earnings of FFr 1.3bn in 1984. Mr Ortoli said last year's results in a difficult environment for oil companies reflected the continuing recovery of the Total group. Cash flow, he added, had increased from FFr 8.7bn in 1984 to FFr 9bn last year.

Mr Ortoli said that the group's recovery last year was far more pronounced than the increase in net earnings which were held down by the impact of the lower US dollar on company stocks. Excluding the effects of the weaker dollar on group stocks, Total's overall operating performance increased by a little more than FFr 3bn compared with a year before.

Mr Ortoli said results in the refining and oil products marketing sector were improving following the rationalisation and modernisation programme undertaken in this sector.

Net investments last year amounted to FFr 10bn

United Technologies moves slightly higher

BY OUR NEW YORK STAFF

UNITED TECHNOLOGIES (UT), the seventh largest manufacturing company in the US, yesterday reported a 5 per cent rise in its net income from continuing operations in 1985 to $636.4m on a 1 per cent rise in sales to $15.0bn.

Net income from continuing operations rose by 4 per cent to $165.9m in its final quarter and fully diluted earnings per share rose by 2 per cent to $1.19.

For the 12 months, however, fully diluted earnings per share slipped from $4.76 in 1984 to $4.58 in 1985.

During 1985, UT sold Inmont, a manufacturer of automotive paints and printing inks, finalised the sale of assets of its telecommunications business, and sold almost all the assets of Mostek, its semiconductor subsidiary. These have been classified as discontinued operations for reporting purposes.

Mr Harry Gray, UT's chairman, and Mr Robert F. Daniell, the group's chief executive, described the 1985 performance as "good" and said that they were gratified that operating profits for continuing operations were slightly ahead of 1984, excluding the $44.6m non-recurring tax credit, despite a general corporate profit drop in the US.

The group's business backlog from continuing operations at the end of December was $11.7bn, compared with $11.8bn a year ago.

Mr Daniell says that the group's commercial and industrial businesses advanced at a steady pace during the year.

He described the continued demand for carrier air conditioners and UTC automotive products as "most positive." Mr Daniell noted that Pratt & Whitney "did a fine job" with strong spares sales, offsetting a decline in engine shipments.

United Technologies is the parent company of Sikorsky, which together with Fiat of Italy bid for a stake in Westland, the ailing UK helicopter manufacturer.

SmithKline sales aided by downturn in dollar

BY TERRY BYLAND IN NEW YORK

SMITHKLINE Beckman, the US pharmaceutical group, lifted sales and profits last year, aided in the final quarter by the downturn in the US dollar.

For the full year, net earnings increased by 2.1 per cent to $514.4m, with share earnings 5.3 per cent ahead at $6.56 after allowing for share repurchases over the year. Sales rose from $2.9bn to $3.3bn.

In the fourth quarter, earnings rose 7.4 per cent to $129.8m on sales 18.8 per cent up at $895.2m.

Mr Henry Wendt, president and chief executive officer, said pharmaceutical sales in the US broke through the $1bn mark last year, with Tagamet, SmithKline's anti-ulcer drug, rising 17 per cent in the final quarter. International sales were reduced by exchange rate factors, although these reversed themselves in the final quarter.

Montedison unit examines takeover move

By Alan Friedman in Milan

META, a subsidiary of Italy's Montedison group, is understood to have expressed interest in acquiring all or part of the L800bn ($478m) of assets held by Europrogramme, the Italian property unit trust which is facing liquidation.

Europrogramme was the flagship of Mr Orazio Bagnasco, the Genoa-born financier who built up the fund by having unquoted share certificates sold door-to-door in Italy. A year ago, as Europrogramme faced a liquidity crisis and criminal investigations, Mr Bagnasco resigned along with his board of directors.

The Lugano-based fund was effectively ordered into liquidation last year when the Swiss federal banking commission decided to end a freeze on redemptions by 75,000 Italian investors. In the meantime a special law has been under consideration in the Italian Parliament to allow investors to opt for conversion of their Europrogramme units into Italian stockmarket shares.

Meta is the diversified Montedison subsidiary which last year took control of the BI-Invest industrial and financial group, including important property holdings. Although the Italian property market has been in a slump for the past couple of years Europrogramme's holdings include more than 70 important buildings in Italy.

'CONSTANT HARD WORK WAS KEY TO RESULT'

Fiat performance improves

BY JAMES BUXTON IN ROME

FIAT, the Italian private sector vehicles and engineering group, said yesterday that its performance in 1985 had been "decidedly more satisfactory" than the already good results achieved the previous year.

Mr Gianni Agnelli, chairman, said in his annual letter to shareholders that the group's net consolidated profit had passed the psychologically important L1,000bn ($593m) mark, and that all the company's subsidiaries were now in profit.

Mr Agnelli did not give an exact net consolidated profit figure for 1985 and profits of individual subsidiaries were not disclosed, but in 1984 Fiat produced a net consolidated profit of L627bn. He said that Fiat's sales had risen from L23,813bn in 1984 to L26,300bn in 1985, an increase of 10.4 per cent.

Fiat's net consolidated debt fell from L4,043bn at the end of 1984, to L2,985bn at the end of last year. Consolidated operating profit was up 7.8 per cent at L2,135bn and self-financing amounted to L2,674bn.

In 1985, Fiat invested L2,450bn, of which L840bn was devoted to research and development. In 1984 investment totalled L2,155bn.

Mr Agnelli said that Fiat's result had been achieved "despite the persistence of difficult and uncertain external conditions." The results – which marked an impressive continuation of the process of recovery which began in 1980 – were the consequence not of "temporary situations or favourable circumstances, but of constant and hard work."

The Fiat chairman stressed the failings of the Italian economy in 1985. Italian inflation was much higher than that of Italy's competitors and the state of public finance had worsened. The balance of payments and of trade were in heavy deficit, with serious consequences for the level of foreign debt and of reserves. He implied that the Government of Mr Bettino Craxi had done little to deal with these problems.

Fiat's biggest single sector, its car division, last year saw its sales rise by 8 per cent to L13,950bn, accounting for 53 per cent of group sales. The share of the Italian market held last year by Fiat Auto, the car subsidiary, amounted to 52.2 per cent, compared with 54.3 per cent in 1984. The car division invested L860bn in 1985, compared with L961bn in 1984.

Fiat's industrial vehicles division, centred on Iveco which made heavy losses in 1984, at least broke even in 1985, according to Mr Agnelli's general statement that sectors which were in loss in 1984 had last year produced positive results.

The division's sales rose by 15 per cent in 1985 to L5,241bn, against the background of a European market which improved by an overall 3 per cent. The market in Italy for industrial vehicles rose by 7 per cent, and Iveco gained 61.2 per cent of it, with the sale of 34,371 vehicles.

Fiat's tractor division had a rise in turnover from L1,951bn in 1984 to L2,135bn in 1985, against the background of a world market that continued to show "negative tendencies."

In Europe, demand for tractors was down 2 per cent. Fiat Trattori, the group's tractor subsidiary, won 17 per cent of the European market, leading it for the seventh year in succession.

Fiat's earthmoving equipment sector, led by Fiatallis experienced virtually static sales in 1985, compared with 1984. Its turnover rose only from L1,010bn to L1,048bn in a world market which declined slightly after the recovery of 1984. Fiatallis increased its unit sales of construction machinery by 6.6 per cent to 6,755 units and claimed 7.6 per cent of the world market.

INTL. COMPANIES and FINANCE

Caterpillar Tractor pulls back into profit

BY TERRY DODSWORTH IN NEW YORK

CATERPILLAR Tractor, the world's largest earthmoving equipment manufacturer, hauled itself back into profit last year after three years of heavy losses. It forecast moderate profitability in the current 12 months.

Net income for 1985 amounted to $198m, or $2.02 a share, against a loss of $428m, or $4.47 a share, in the previous year. Sales rose to $6.73bn from $6.58bn.

In the fourth quarter, earnings came to $87m, or 88 cents a share, against a loss of $251m, or $2.60 a share, while sales rose to $1.81bn from $1.66bn.

Last year's results were helped by factors including a $60m extraordinary gain from the sale of the Turbomarch division of its solar turbines subsidiary and a $209m benefit from inventory adjustments under the last in, first out system of accounting.

In addition, Caterpillar acknowledged net currency exchange gains of $89m, against a $25m exchange loss in 1984, while reorganisation costs fell substantially. In 1985, it recorded a $69m charge for further planned manufacturing consolidation, against a much larger provision of $228m in 1984, and $112m in 1983.

Caterpillar said its return to profitability also reflected its continued cost reductions resulting from its consolidation programme.

Although the group's target of a 22 per cent cost reduction from its 1981 standards by 1985 was not met, it achieved "significant" cuts, and was pressing ahead with more with the aim of becoming "the lowest-cost producer in the industry based on value provided." As part of those plans, the company is considering the closure of its Bettendorf, Iowa, manufacturing plant, which employs 175 people.

Pennzoil 'would insist on own identity in any Texaco merger'

BY MARY FRINGS IN DALLAS

ANY MERGER between Texaco and Pennzoil as a means of ending their two-year legal battle over Texaco's acquisition of Getty Oil would have to allow Pennzoil to maintain its separate identity, according to Mr J. Hugh Liedtke, the company's chairman.

In an interview with a Dallas newspaper this week he said: "Pennzoil is not interested in any proposal where its current board of directors will not control the financial destiny of Pennzoil shareholders and be in a position to assure meaningful careers to all of its employees."

He describes Texaco's cash merger proposal, which Pennzoil's board rejected on January 7, as "a low-ball offer – so low as to be foolish or embarrassing."

Pennzoil said yesterday that no new talks between the two companies were currently scheduled, although reports in New York suggest that negotiations might be resumed next week in an attempt to reach a settlement before February 10.

On or before that date, a New York federal court is to consider whether to extend its one-month waiver of the $12bn bond required under Texas law, pending an appeal against a Houston jury's findings that Texaco improperly induced Getty to break its previous merger agreement with Pennzoil. Texas District Judge Solomon Casseb confirmed the jury's $11.1bn damage award on December 10.

Texaco has said that posting a bond of that magnitude would force it to file for bankruptcy and deny the company its constitutional right of appeal. Further constitutional issues have arisen with the intervention of Texas Attorney General Jim Mattox, who has filed an appeal against the ruling of US district judge Charles Brieant that Texaco need post only a $1bn bond.

US stores group acts to boost earnings

By Our New York Staff

FEDERATED Department Stores, the biggest US department store chain, has announced a series of moves to consolidate its sprawling empire in a bid to improve its recent sluggish earnings performance.

The group, which operates 589 stores ranging from Bloomingdales in New York to I. Magnin in California, said that the moves, which will result in a fourth-quarter charge of $25m, are designed "to enhance effectiveness and efficiency at both the division and corporate level."

The most visible move is the merger of the group's two Midwest store chains. Lazarus and Shillito Rikes, into a single 31-store chain under the Lazarus name which will be headquartered in Cincinnati. The new Lazarus division bears the name of Federated's premier founding family and in terms of numbers of stores will be the largest in the group although in terms of annual sales of $850m will be slightly smaller than Bloomingdales. Mr Douglas M. Thomsen, chairman and chief executive of Shillito Rikes, will head the new Lazarus division.

Federated is also merging its two MAS merchandising divisions – Gold Circle and Richway – into a new group which will be the largest mass merchandising unit in the US with annual sales of over $1.1bn. It will be headquartered in Columbus, Ohio.

The group is also reorganising its corporate office

North American quarterly results

BOISE CASCADE
Forest products

Fourth quarter	1985 $	1984 $
Revenue	893m	907m
Net profits	19m	†24.4m
Net per share	0.61	†1.01
Year		
Revenue	3.7bn	3.8bn
Net profits	104.3m	69.6m
Net per share	3.45	2.23

† Loss includes restructuring charges

CENTRAL & SOUTH WEST
Utility holding company

Fourth quarter	1985 $	1984 $
Revenue	622.3m	629.7m
Net profits	83.9m	79m
Net per share	0.80	0.75
Year		
Revenue	2.7bn	2.6bn
Net profits	375.8m	353.7m
Net per share	3.61	3.43

BEBELCO
Housing products

Fourth quarter	1985 $	1984 $
Revenue	174.7m	190.9m
Net profits	3.6m	7.3m
Net per share	0.18	0.40
Year		
Revenue	811.8m	786.9m
Net profits	26.1m	33m
Net per share	1.37	1.82

NORTHERN TRUST
Bank holding company

Fourth quarter	1985 $	1984 $
Revenue	—	—
Net profits	11.3m	5.5m
Net per share	2.12	0.93
Year		
Assets (year-end)	7.5bn	7.23bn
Net profits	34.1m	22.4m
Net per share	6.20	4.06

CROSS & TRECKER
Machine tools

First quarter	1985-86 $	1984-85 $
Revenue	105.4m	95.1m
Net profits	2.6m	2.4m
Net per share	0.21	0.20

GENCORP
Fifth largest US tyre group

Year	1985 $	1984 $
Revenue	3.02bn	2.8bn
Op. net profits	48.8m	31.5m
Op. net per share	2.22	1.43

MID BANCORP
Bank holding company

Fourth quarter	1985 $	1984 $
Revenue	—	—
Net profits	31.8m	27.4m
Net per share	1.30	1.14

SOCAL EDISON
Utility

Fourth quarter	1985 $	1984 $
Revenue	1.27bn	1.27bn
Net profits	173m	157m
Net per share	0.71	0.70

Late rush of Eurodollar deals

BY MAGGIE URRY

A FIRMER opening in the New York bond market brought a late flurry to the Eurobond market. Prices were ahead by around ½ points yesterday and a rush of issues appeared in the afternoon.

The rally helped an issue Merrill Lynch launched in the morning for its parent. The $200m deal, which had been increased from $150m, has a short three-year maturity, usually difficult to sell to investors. But a yield margin over US Treasury bonds of 69 basis points, including the 1⅛ per cent fees, looked reasonable for the AA rated name. The coupon is 9 per cent and issue price 100⅞ and the bonds were trading just within the total fees.

The afternoon brought fixed-rate issues from the European Community and TRW, the US diversified industrial products group, and a warrants-only issue from Nederlandse Gasunie. This last, led by Morgan Stanley, gives investors a yield during the first two years, during which time the warrants cannot be exercised, and then gives the right to buy, during the next three years a 11 per cent bond due in 1991 at par. The 75,000 warrants are priced at $27½ per cent and the interest payment in the first period will be $3½ per warrant. They were trading well above the issue price.

The $150m EC issue was won by Citicorp Investment Bank against competitive bidding. The terms were fixed at a five-year life with a 8⅞ per cent coupon and 100½ issue price. Fees are 1⅞ per cent giving the borrower a cost of 18 basis points over Treasury yields. The bonds were trading around the total fees.

TRW's issue for $100m was led by Morgan Guaranty. The seven-year bonds have a 9⅞ per cent coupon and a par issue price. With fees of 1⅞ per cent the borrower's cost is 52 basis points over the US Treasury yield curve. The bonds were trading just within the commissions.

New issue activity in the other currency sectors also picked up. The D-Mark market which has been short of deals so far this year, had three issues. Swiss Bank Corporation's West German subsidiary made its debut as a lead manager in the D-Mark sector with a DM 200m equity linked issue for its parent. The bonds have a 10-year life and a 2¾ per cent coupon, and are issued at par. The attached warrants give the right to buy bearer participation certificates until September 16 1991. The issue was trading well above par with some around 108½.

Another issue with equity warrants, which are popular at present, is expected for Pirelli, the Italian tyre company. The DM 100m of bonds, led by BHF-Bank, have a seven-year life and the expected coupon is 3½ per cent. Issue price is par. Details of the warrants will be set when the issue is formally launched tomorrow.

Dresdner Bank announced a DM 150m private placement for Ireland with a 10-year life and a 6⅞ per cent coupon. Issue price is par. The bonds were trading within the 2 per cent fees, though some dealers considered the terms a little tight.

The secondary market was still very quiet with prices steady to slightly firmer. Traders are looking to the currency to help the market.

Walt Disney is a well-known name among investors, which should help a Y10bn deal launched yesterday by Bank of America. The 10-year bonds have a 6⅞ per cent coupon and 100½ issue price, terms seen as slightly aggressive although the proceeds are not being swapped. The bonds were bid at a 2 point discount, equal to the fees.

A second Euroyen deal was launched late in the afternoon by Nikko Securities (Europe) for Swedish Export Credit (SEK). The issue of Y10.14bn is of 10-year non-callable bonds paying a 6⅞ per cent coupon and priced at 102. Fees total 2 per cent. Another, related, issue from SEK is expected today.

The Euro-Australian market received a new deal led by CIBC for Banco di Roma. The A$40m five-year issue has a 14½ per cent coupon and a 100⅞ issue price. The bond is connected to a swap into floating-rate US dollars, the driving force behind many such issues. The issue was quoted at a discount of around 1½ points, within the 2 per cent fees.

Another Euro-Australian issue is expected today for SAS to be led by Morgan Stanley.

The Swiss franc market was quiet yesterday with secondary market prices mixed in fairly low volume. Kyushu Electric Power's SFr 100m eight-year issue, with a 5¼ per cent coupon ended its first day's trading at 99¾ only ¼ point below its issue price.

No new issues were launched, but Credit Suisse set terms for the World Bank's 30-year SFr 250m issue. The yield was cut slightly from an indicated 5¾ per cent to 5.517 by fixing a 5⅞ per cent coupon and 99⅞ issue price.

F & C launches stock index futures fund

BY ALEXANDER NICOLL

FOREIGN AND COLONIAL, the British investment management concern, is launching today what is believed to be the first UK-managed fund investing only in US stock index futures and options, rather than in the underlying equities.

It is the latest in a series of moves by London investment groups designed to take advantage of newer areas of the international capital markets. Last week Gartmore, another management group, introduced a fund investing only in equity warrants issued by Japanese companies. There have also been several based on investments denominated in European currency units (Ecus).

Chicago-traded stock index futures are one of several new types of investment being added to F and C's $35m Reserve Asset Fund, now including portfolios mainly of dollar and sterling investments. The others include D-Mark, yen and Ecu bonds.

F & C plans later this year to seek a London Stock Exchange listing for the Jersey-registered fund. Because of tax considerations, however, it is more likely to appeal to offshore investors than to UK residents.

The fund does not invest in equities. But the new stock index sub-fund is designed to provide investors with a higher income than would normally be obtainable through direct investment in US equities, at a lower cost and avoiding stock selection.

It does not give F & C and its clients an opportunity to use futures simply to bet on Wall Street's direction. Because it parallels investment in the real stock market, initial transactions would be purchases of contracts rather than sales. The fund may hedge the risks associated with a long position by, for example, buying put options on the futures contract.

Since investment in futures requires an up-front margin payment of only about 5 per cent of their value, up to 95 per cent of the sub-fund would actually be invested at normal times in Eurodollar money market instruments.

It took F & C several months to obtain approval from the Jersey authorities for the scheme. Although many funds use futures and options to back up their investments in underlying instruments, this was the first application to use futures exclusively.

Among the risks which aroused the authorities' concern was the fear that the fund could be over-exposed to the possible failure of individual brokerage firms through which it routed its business. Last year's failure of Volume Investors, a New York Comex member firm whose customers' funds were temporarily frozen, may have contributed to such worries.

The Jersey regulators stipulated that no more than 25 per cent of the total margin payments put up by the sub-fund may be lodged with one clearing broker. Among other issues raised were the differing risk characteristics of options and futures and the sub-fund's borrowing limits.

The sub-fund is allowed to borrow up to 25 per cent of its net asset value for additional investment, but is unlikely to borrow more than 10 per cent. F & C is unlikely to allow the extent to which the sub-fund is long of stock index futures to drop below 90 per cent of net asset value.

The sub-fund, which aims to outperform the Standard & Poors index of 500 large stocks, will invest in S & P 500 futures and options traded on the Chicago Mercantile Exchange, and futures on the Major Market Index of 20 blue chips, traded on the Chicago Board of Trade.

Stock index futures are cash-settled, so there is no risk of the fund having either to take or make delivery of an actual portfolio of stocks.

Generous terms on $233m loan for Turkey

By Peter Montagnon, Euromarkets Correspondent

TURKEY HAS launched a $233m, eight-year credit in the Euromarkets to help finance construction of a 420 MW hydro-electric power station at Kayraktepe on the Goksu river in the south-central part of the country.

The credit, to which the World Bank will contribute $33m under its co-financing scheme, is expected to be the country's only large medium-term loan this year.

The mandate for the deal has been awarded to Arab Banking Corporation, which agreed to underwrite the full amount after a fierce bidding process among international banks.

The credit will bear interest at a margin of 1¼ per cent over the London interbank offered rate for Eurodollar deposits (Libor) for the first three years, rising to 1⅜ per cent thereafter. Repayments begin after a grace period of five years.

Initial reaction in the market was that the terms looked generous, given Turkey's recent success in floating short-term credits for its central bank and for T. C. Ziraat Bankasi, the banking concern. The margins are also higher than those paid on debt reschedulings by several leading developing country borrowers.

But bankers say they regard deal be conspicuously successful it as important that the new deal be conspicuously successful, given the slow response to a $500m loan facility led by Citibank last year.

The deal will provide only part of the funds needed for the project, which will cost a total of $738m. Also expected soon is a yen credit for $117m equivalent, for which the World Bank will put up $17m. The World Bank's share in both credits will have a life of 10 years, extending the final maturity of the borrowing.

Separately the World Bank is contributing $200m on its own account while the Turkish government is providing the balance of the financing needed.

Electronic trading for Swiss SEs

By William Dullforce in Geneva

SWISS STOCK exchanges hope to instal and start an electronic system for trading options in shares before the end of this year—considerably earlier than originally planned.

A steering committee, set up by the tripartite commission which is co-ordinating modernisation of the Zurich, Geneva and Basle stock exchanges, has set a deadline of the end of March for a project team to present it with a short list of possible systems.

The project team has been studying some 20 schemes, including the highly successful computerised system started in Stockholm last year by Carnegie, the Swedish investment and brokerage company.

The Zurich stock exchange announced last May that it was considering a programme for the introduction of traded options and financial futures. A decision has since been taken to start with share options and initially to instal an electronic system off-exchange to serve all three exchanges.

In the longer term options trading would be integrated with the operations of the stock exchanges.

DOMESTIC BOND MARKETS

Prices bounce back in Tokyo

Yen bond prices recovered sharply in Tokyo from yesterday's falls due to firm US bond futures in Chicago, a sharp fall in the price of oil and speculation that the US fourth-quarter GNP figure, due today, may be revised downwards.

In over-the-counter trading, the yield on the benchmark No. 78 6.2 per cent government bond issue edged down to 5.78 per cent from 5.87 per cent.

One of the four largest domestic securities houses moderately bought the No. 78

Frankfurt lacks clear direction

In Frankfurt, public authority bond prices ended bourse trading steady after thin trading, with both foreign and domestic investors unwilling to open fresh positions ahead of the reopening of the US markets today after the long weekend.

Both long and short maturities fluctuated between losses and gains of 10 pfennigs. "There was a distinct lack of fresh factors to give bond markets a clear direction," said one dealer.

The Bundesbank sold DM 37.9m of domestic paper after buying DM 6.2m yesterday. The recent 1995 6¾ per cent and 6⅞ per cent federal government loan stocks rose five and 20 pfennigs to 101.40 and 103.10 respectively.

Nomura's change at top heralds fresh approach

BY CARLA RAPOPORT IN TOKYO

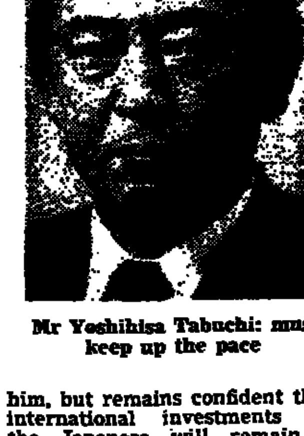
A SIX-FOOT high ice sculpture of the world slowly melted yesterday as Nomura Securities presented its new president to 1,000 or so of its closest friends and clients at a sumptuous party.

The centre of attention was Mr Yoshihisa Tabuchi, who last month became president of Nomura, Japan's largest securities house and one of the biggest securities companies in the world. Trailed by a young woman with a wicker basket filled with his name cards, Mr Tabuchi yesterday showed the ease of a man who has spent most of his life selling. At 53, Mr Tabuchi is the youngest leader of a major Japanese financial institution. Already, he is showing a willingness to be just a little bit different.

"This business is always the challenge of tomorrow and the unknown," he says. "In order to meet this challenge, we have to have creativity, strong leadership and strong action-oriented people." Earlier, asked for his business motto, Mr Tabuchi replied: "I've always liked a saying by Sir Winston Churchill that goes something like: 'People who dwell on past glories will lose the future'."

In recent years, Nomura has had a few glories to dwell on. For the year to last September, group pre-tax profits jumped by 52 per cent to $1.2bn on total revenues up 35 per cent to $2.9bn. Net income rose 52 per cent to $546m. The company, of course, has been riding high on the huge flow of investment funds out of Japan to higher interest-bearing investments mainly in the US. More than a few of the guests crunching on caviar yesterday were wondering whether Nomura can possibly keep up the pace.

Mr Tabuchi does not make light of the challenges ahead of



Mr Yoshihisa Tabuchi: must keep up the pace

him, but remains confident that international investments by the Japanese will remain a growth business. As for the management of his company, he also has a few ideas there.

"Today, there is a financial revolution going on. That means that the world isn't waiting for Nomura . . . It's true, in Japan, group and consensus decision making are conventional, but these things are changing. We have to keep up the pace."

Only a month into his new job, Mr Tabuchi was reluctant to spell out future business strategies. However, the new Nomura chief was reasonably open about some of the criticisms that outsiders have about the Tokyo financial markets.

For example, many complain that eager Nomura salesmen will generate enthusiasm for a stock or sector, only to get their best customers in on the beginning of the stock's climb. Less fortunate investors, critics claim, are left out in the cold. Mr Tabuchi flatly denies that the practice exists, but acknowledges that the Tokyo stock market is very volatile, largely because of the high proportion of closely-held shares.

Mr Tabuchi reckons that about 70 per cent of Tokyo's shares are illiquid, that is closely held by investors, such as banks which have a close relationship to the company. "Eventually, these close shares will be released," he claims. "Now, by being a shareholder in Japan, you enjoy a business relationship, not just a dividend. But in a more competitive environment, this will gradually change."

The Nomura chief also sees an end to the fixed commission in Japan—"gradually." As for the imminent entry of foreign firms on the Tokyo Exchange, he says he welcomes the competition.

He plans to stay in close touch with the market, despite his promotion. "I feel uneasy when I'm secluded from market information. I'm more settled when the phones are ringing. I don't believe only in printed data, feelings are very important," he says.

Euro-equity issue for property group

BY JOHN WICKS IN ZURICH

INTERSHOP PROPERTIES, a Panama-based company investing in U.S. property, is to make a Euro-equity issue and list the shares on the Zurich over-the-counter market.

The issue will be handled by a consortium led by Union Bank of Switzerland (Securities) and will be in the region of US$15m.

At the company's last general meeting authorised capital was increased from $40m to $100m. Present paid-up capital amounts to $31.75m.

The company, which has investments in American commercial real estate, was formed in 1981 by the Zurich-based property developer Intershop Holding, Union Bank of Switzerland, and the insurance groups Winterthur and Allianz.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on January 21

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10¾ 92	100	102⅞	102⅞	+0½	+0⅞	9.81
Amex Credit 10⅞ 90	100	104⅝	105	+0⅛	+0⅞	9.44
Atlan.-Richfield 10⅞ 00	250	96⅞	99⅛	+0⅛	+1	10.36
Australia Com. 11 95	200	107⅝	108⅛	+0½	+1½	9.66
Australia Com. 11½ 00	100	109	109⅛	+0½	+1½	9.99
BP Capital 11½ 92	150	106⅞	106⅞	+0½	+0⅞	9.68
Campbell Soup 10⅞ 95	100	106⅛	106⅞	+0½	+1½	9.45
Canada 11½ 90	500	108⅛	108⅞	+0⅛	+0⅞	8.97
Canadian Pac. 10⅞ 93	100	104⅛	105⅛	−0⅛	+0⅞	9.76
Canadian Pac. 12½ 99	75	110⅛	110⅞	+0⅛	+0⅞	10.99
CEPME 10⅞ 91	100	102⅞	103⅛	+0⅛	+0⅞	9.37
Chevron USA 12¾ 89	600	104⅞	105⅛	+0½	+0⅛	10.46
Citicorp 10 88	200	101⅞	101⅞	+0⅛	+0½	9.22
Citicorp 10⅞ 95	200	101⅛	101⅞	+0½	+0½	10.33
Coca Cola 11⅞ 91	100	106⅞	107⅛	+0½	+0⅛	10.04
Denmark Kgdm. 11⅛ 89	100	104⅛	105⅛	+0⅛	+0⅛	9.38
Denmark Kgdm. 11½ 90	100	106⅛	106⅞	+0⅛	+0⅞	9.59
Denmark Kgdm. 11¾ 92	100	107⅞	107⅞	+0⅛	+0⅛	9.80
EDF 10 95	225	100⅞	101⅛	+0½	+0⅛	9.81
EEC 9⅝ 90	350	101	101⅛	+0½	+0⅛	9.24
EEC 11⅞ 90	100	106⅛	106⅞	+0⅛	+0⅞	9.16
EIB 12 95	200	112⅛	112⅞	+0⅛	+1½	9.85
Eli Lilly 10⅞ 92	150	105⅛	105⅞	+0½	+1½	9.12
Export Dev. Cpn. 10 90	100	103	103½	+0½	+0⅛	9.05
Export Dev. Cpn. 12 89	100	108⅞	109⅛	+0⅛	+0⅞	9.10
Fed. Dep. Strs. 10⅞ 95	100	102	102½	+0⅛	+0⅞	9.73
Ford Motor Crd. 10⅞ 91	150	102	102½	+0⅛	+0⅛	9.97
Ford Motor Crd. 11⅞ 90	100	105	105½	+0⅛	+0⅛	9.74
Ford Motor Crd. 12 95	100	107⅛	107⅞	−0⅛	+0½	10.89
Gen. El. Cred. 10⅞ 00	200	102⅞	103⅛	+0⅛	+0⅛	9.86
GMAC 10⅞ 89	200	102⅞	103⅛	+0⅛	+0⅛	9.14
GMAC 10⅛ 92	250	102	102½	+0⅛	+0⅛	9.76
IADB 9⅞ 95	200	100⅛	100⅞	+0⅛	+0⅛	9.77
IADB 10½ 95	150	104⅛	104⅞	+0⅛	+1⅛	9.73
Kellogg Co. 10⅞ 90	100	104	104½	+0⅛	+0⅛	9.54
Kellogg Co. 11⅞ 92	100	105	105½	+0⅛	+0⅛	10.05
LTCB 12⅞ 91	100	113⅛	113⅞	+0⅛	+0⅞	9.67
Mitsui Trust 11⅛ 90	100	†108⅞	108⅞	+1⅛	+1½	9.88
Nippon Cr. Bk. 10⅞ 95	150	104⅛	104⅞	−0⅛	+1½	9.88
Pillsbury Co. 10⅞ 93	100	101	101⅞	+0⅛	+0⅛	9.98
Proct. & G. 'A' 9⅞ 92	150	100⅛	100⅞	−0⅛	−0½	9.76
Pru Realty S. 12⅛ 95	546	110	110½	+0⅛	+0⅛	10.31
Qantas Airways 10⅞ 95	140	104	104½	+0½	+1	9.64
Quebec Hydro 11⅛ 92	100	107⅛	108⅛	+0⅛	+0⅛	9.87
Queensld. Gvt. 10⅞ 95	100	102⅞	103⅛	+0⅛	+1½	9.74
Ralston Purina 11⅛ 95	150	108⅛	108⅞	+0⅛	+0⅛	10.29
Ralston Purina 12⅞ 89	100	109⅛	109⅞	+0⅛	+0½	9.59
Saskatchewan 10⅞ 92	100	105⅛	105⅞	+0⅛	+0⅛	9.55
Saskatchewan 11⅞ 89	100	107⅛	108⅛	+0⅛	+0⅛	9.27
Statoil 11 90	170	102⅞	102⅞	+0⅛	+0⅛	9.29
S. Wales Trsy. 11⅞ 90	158	107⅛	107⅞	+0⅛	+0⅞	9.55
Swed. Exp. Cred. 10 92	100	101⅞	102⅛	+0⅛	+0½	9.58
Sw. Ex. Cr. 12⅛ 89 XW	100	108⅛	108⅞	+0⅛	+0⅛	9.80
Sweden Kgdm. 10⅞ 90	200	105	105⅛	+0⅛	+0⅛	9.33
Sweden Kgdm. 11½ 89	200	107	107⅛	+0⅛	+0⅛	9.19
Sweden Kgdm. 11¾ 94	100	108	108½	−0⅛	+0⅛	10.11
Tenneco Cpn. 10⅞ 95	150	102⅞	104⅛	−0⅛	+1⅛	10.06
Utd. Tech. Fin. 10⅞ 95	100	102⅞	103⅛	+0⅛	+0⅛	10.12
Victorian Rep. 11⅞ 92	150	108⅛	108⅞	+0⅛	+0⅞	9.77
World Bank 10⅞ 95	300	103	103½	+0⅛	+1	9.57
World Bank 12⅛ 94	200	116⅛	117⅛	+0⅛	+1	9.84

Average price changes... On day +0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	107	107⅞	−0⅛	+0⅛	6.83
Austria Republic 7⅞ 94	200	105⅛	106	+0⅛	+0⅛	6.70
Baxter Travenol 7⅞ 94	200	101⅞	102⅛	+0⅛	+0⅛	6.90
Copenhagen 7⅞ 95	150	101⅛	102⅛	0	0	7.10
Credit National 8⅛ 94	200	107⅛	108	+0⅛	+0⅛	6.86
Dow Chemical 6⅞ 95	300	101⅛	101⅞	−0⅛	−0⅛	6.64
EIB 7⅛ 94	300	104	104½	0	+0⅛	6.80
ESCOM 8 92	150	94⅞	95⅛	+0⅛	+0⅛	9.13
Ex.-Im. Bk. Korea 7⅛ 90	100	100⅛	101	−0⅛	+0⅛	7.44
Ferrovie Dello St. 8 91	100	104⅛	105⅛	−0⅛	0	6.87
Finland Republic 7 92	200	102⅛	103⅛	0	+0⅛	6.33
Gould Int. Fin. 7⅞ 91	100	104⅞	105⅛	0	0	6.42
Ireland 8⅛ 92	150	105⅛	105⅞	0	−0⅛	7.01
Japan Fin. Con. 7⅞ 91	100	104⅛	105⅛	0	+0⅛	6.58
Mtsbshi. H. 3½ 89 WW	300	159	160⅛	−0⅛	−3⅛	−11.05
Mtsbshi. H. 3½ 89 XW	300	92⅛	93⅛	0	−0⅛	6.06
Mtsbshi. M. 3⅛ 89 WW	100	106⅛	107⅛	+0⅛	+2⅛	1.22
Mtsbshi. M. 3⅛ 89 XW	100	91⅛	92⅛	−0⅛	+0⅛	5.49
Quebec-Hydro 7⅞ 95	200	104⅛	104⅞	0	+0⅛	6.46
Renfe 7⅞ 95	100	104⅛	104⅞	−0⅛	+0⅛	7.06
Soc. C. Nuclear 7⅞ 95	150	100⅛	101⅛	+0⅛	0	7.07
Soc. C. Nuclear 8 91	100	105⅛	106	+0⅛	+0⅛	6.72
S. Africa Tran. 7⅞ 92	100	92⅛	93	+0⅛	0	9.11
World Bank 7 95	600	102⅛	103⅛	+0⅛	+0⅛	6.54

Average price changes... On day 0 on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap. Con. 5⅛ 94	130	†100⅛	101	−1⅛	−1⅛	5.25
Br. Land Comp. 6⅛ 99	75	†104⅛	105	−0⅛	0	5.97
Council of Europe 6 92	120	†105	105⅛	−0⅛	+1⅛	5.09
Creditanstalt 5⅛ 94	100	†101	101⅛	0	+0⅛	5.34
Deutsche Bk. 5⅛ 95	100	†104⅛	104⅛	+0⅛	−0⅛	4.76
EIB 5⅞ 94	120	†103	103⅛	0	−1	5.41
Gen. Occidentale 4⅛ 94	80	†108⅛	108⅛	+0⅛	−1⅞	3.36
Glendale F. S&L 5⅛ 95	100	†99	99⅛	0	0	5.62
Ind. F. Finland 5⅛ 94	40	†101⅛	102	+0⅛	−0⅛	5.49
Int. Am. Dv. Bk. 6⅛ 94	120	†103⅛	104⅛	+0⅛	−0⅛	5.53
N. Zealand Steel 5⅛ 96	70	*†101⅛	101⅛	−0⅛	+0⅛	5.58
Oberos. Ktwk. 5⅛ 95	100	†101⅛	102	−0⅛	−1⅛	5.13
Olivetti Intl. 5⅛ 95	100	†102	102⅛	0	+0⅛	5.21
Pepsico 5⅛ 95	130	†104	104⅛	+0⅛	0	4.66
Ralston Purina 5⅛ 94	125	*†103	103⅛	+0⅛	−0⅛	4.93
Santos Finance 6 94	130	†100⅛	100⅞	−0⅛	0	5.90
Tokyo Elec. Pr. 5⅛ 93	120	†104	104⅛	−0⅛	+1	4.79
Tokyo Metropolis 5⅛ 94	80	†103⅛	103⅛	+0⅛	−0⅛	4.77
World Bank 6⅛ 94	150	†104⅛	104⅛	0	+1	5.08

Average price changes... On day −0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Caisse Nat. Tel. 6⅛ 92	25	97⅛	98	+0⅛	0	6.67
Goodyear T. & R. 7⅛ 96	25	100⅛	101⅛	+0⅛	−0⅛	6.96
Mt. Bk. Denmark 7 92	10	100⅛	100⅞	+0⅛	0	6.91
New Brunswick 7⅛ 95	10	102⅛	103⅛	+0⅛	0	6.66
Swed. Exp. Cred. 0 90	14	73⅛	74⅛	+0⅛	+0⅛	6.68

Average price changes... On day +0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Au. 12⅞ 90 A$	50	92⅛	93⅛	+0⅛	+1⅛	14.86
Creditanstalt 12⅞ 90 A$	50	96⅛	97⅛	+0⅛	+1⅛	13.81
Pepsico C. R. 13 90 A$	50	100⅞	101⅞	−0⅛	+0⅛	12.53
Swed. Ex. Cr. 13 88 A$	40	97⅞	98⅞	+0⅛	0	13.66
Amex 10⅛ 90 C$	50	102	102⅛	0	+0⅛	10.06
Canad. Pac. 10⅛ 90 C$	75	98⅞	99⅛	−0⅞	−0⅛	10.59
CIBC 10⅛ 90 C$	75	†98⅛	99⅛	−0⅛	+0⅛	11.04
Genstar Fin. 11⅛ 95 C$	75	†102⅛	102⅞	0	0	11.26
Montreal 11⅛ 95 C$	75	†106⅛	106⅛	+0⅛	+0⅛	10.44
Ryl. Trustco 10⅞ 90 C$	75	97⅛	97⅞	+0⅛	+0⅛	11.00
Sears Acc. 10⅞ 92 C$	75	†99⅛	99⅞	−0⅛	+0⅛	10.68
Chrysler F. C. 17 90 NS	65	95½	97	0	−1⅛	18.16
KOP 16⅛ 91 NS	50	95⅛	97	−0⅛	−0⅛	17.36
Kredtbk. Lux. 17 88 NS	70	99⅛	100½	−0⅛	−0⅛	16.90
Bayer Vrns. 8⅛ 88 Ecu	60	100⅛	101½	+0⅛	+0⅛	7.90
Chrysler F. C. 9 92 Ecu	75	97	97⅞	+0⅛	0	9.53
Xerox Can. 8⅞ 90 Ecu	40	98⅛	99⅛	+0⅛	+0⅛	8.81
Honda WW 3⅞ 90 Fl	100	104⅛	105⅛	−0⅛	−0⅛	2.62
Honda XW 3⅞ 90 Fl	100	90⅛	90⅞	−0⅛	−0⅛	6.55
Thyssen 7⅞ 90 Fl	50	103⅛	103⅞	−0⅛	−0⅛	6.34
Wereldhave 7½ 90 Fl	75	102⅛	103	0	−0⅛	6.76
Wessanen 6⅛ 90 Fl	50	101	101½	0	0	6.42
Mobil Cpn. 11⅛ 90 FFr	500	104⅛	104⅞	+0⅛	+1	9.83
Amev 11 93 £	50	94⅛	95⅛	−0⅛	+0⅛	12.14
Australia Com. 11 92 £	40	95⅛	95⅞	−0⅛	−0⅛	12.04
EIB 11⅛ 93 £	50	96	96½	−0⅛	0	11.90
GMAC UK F. 10⅞ 90 £	30	95⅛	96⅛	−0⅛	+1⅛	11.72
Imp. Ch. Ind. 11⅛ 95 £	75	96	96½	−0⅛	+0⅛	11.90
Imp. Ch. Ind. 10⅞ 92 £	75	93⅛	93⅞	−0⅛	−0⅛	12.17
McDonalds 10⅞ 90 £	40	95⅛	96⅛	−0⅛	0	12.10
Mtsbshi. F. HK 11 90 £	50	95⅛	96⅛	−0⅛	+0⅛	12.23
NSW Treasy. 10⅞ 92 £	50	93⅛	94	−0⅛	+0⅛	12.00
Rank Xerox 11 92 £	40	94⅞	95⅛	−0⅛	−0⅛	12.16
Royal Ind. 10⅞ 92 £	60	93⅞	94⅛	+0⅛	+0⅛	12.08
J. Sainsbury 10⅞ 93 £	60	93⅞	94⅛	−0⅛	+0⅛	12.18
Tricentrol XW 11 92 £	35	90	90⅛	0	−0⅛	13.28
Tsthse. Forte 11⅛ 90 £	50	96	96⅞	−0⅛	+0⅛	12.27
World Bank 11⅛ 95 £	100	97⅛	97⅞	+1⅛	+0⅛	11.71
COE 8⅞ 95 LFr	600	98⅛	99½	0	0	9.00
N. Lux Al. 10½ 92 LFr	600	103⅛	104⅛	+0⅛	+0½	9.61

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Abbey Natnl. 5 2000 £	0⅛	99.10	99.15	15/1	11½
B'kamerica O/S 5⅛ 96	0⅛	99.52	99.62	30/3	8⅛
Bankers Trust 5 2000	0⅛	99.78	99.88	11/3	8.31
BFCE 5⅛ 99	0⅛	100.12	100.22	13/3	8⅛
BNP 5⅛ 95	0.05	101.34	101.44	10/1	8.69
BNP 5⅛ 99	0⅛	100.17	100.27	22/3	8⅛
Britannia 5 93 £	0⅛	99.28	99.33	8/4	11½
CCF 5⅛ 97	0	99.55	99.65	5/4	8.06
Chase Man'tn 5⅛ 2009	0⅛	100.06	100.16	5/3	8.31
Citicorp 5 2035	0.225	99.29	99.39	27/1	8.23
Credit Lyonnais 5⅛ 96	0⅛	100.65	100.75	11/4	8½
Credit Lyonnais 5 2000	0⅛	100.17	100.27	10/1	7.94
EEC 5 90	0⅛	99.77	99.83	8/7	8.08
ENEL 5 2000	0⅛	100.01	100.11	1/3	8⅛
Ireland 5⅛ 97	0⅛	100.04	100.14	28/2	8.44
Lloyds Bank Perp	0⅛	100.29	100.39	9/6	8⅛
Man. Hanover 5 97	0⅛	99.27	99.37	22/2	8.19
Midland Bk. Perp. 5	0⅛	100.18	100.28	19/6	8⅛
NatWest Perp. A 5⅛	§0⅛	100.19	100.29	9/7	8.31
NatWest Perp. B 5⅛	§0⅛	100.18	100.28	10/2	8⅛
R. Bk. Scotland 5 Perp	0⅛	100.07	100.17	11/6	8.44
R. Bk. Scot. 5⅛ 2005 £	0⅛	98.99	99.09	4/2	11½
Societe Generale 5⅛ 97	0⅛	100.18	100.28	18/3	8⅛
United Kingdom 5 92	0	100.00	100.06	7/7	8.06
Woolwich 5 95 £	0⅛	99.22	99.27	19/2	11.69

Average price changes... On day +0.01 on wk +0.05

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053	132⅛	133⅛	+2⅛	7.35
Comcast 7 2000	12/85	23.87	†114⅛	115⅛	+2	20.69
Fanuc 3⅛ 98	1/84	7032	195½	197½	−0½	52.96
Fuji Hvy. Inds. 3 2000	8/85	676	95⅛	96⅛	+0⅛	0.32
Fujitsu 3 99	5/84	1320	100⅞	101⅞	+0⅛	15.18
Kumagai Gumi 3⅛ 2000	3/85	600	183	184½	+0⅛	13.26
Marui 3½ 99	7/84	1162	163½	164½	−0⅛	−1.92
Mitsubishi Bank 2⅞ 00	8/85	1768	99⅛	100⅛	−0⅛	−0.93
Mitsubishi Elec. 2⅞ 00	3/86	422	102⅛	103½	−0⅛	−1.43
Murata 3⅛ 2000	7/84	2398	116⅛	117	−0⅛	15.33
Nippon Elec. 2⅛ 2000	1/85	1295	120⅛	121⅛	−1⅛	48.29
Nippon Oil Co. 3 2000	5/86	923	108⅛	109⅛	−1⅛	−1.42
OKI Elec. Ind. 3⅛ 99	10/84	805	103⅛	104⅛	−0⅛	0.62
Sekisui House 3 99	6/84	612	156⅛	157⅛	+1⅛	2.80
Sumitomo Bk. 2⅛ 2000	8/85	2142	94⅛	95⅛	−0⅛	5.66
Sumitomo Cpn. 2⅞ 99	5/84	893	144⅛	145⅛	−1⅛	0.41
Taiyo Yuden 3⅛ 2000	3/85	1078	†109	111	−2	0.66
Takeda Rkn. 3⅛ 2000	10/84	7863	†96	98	+2	5.55
Tokyo S'yo El. 3⅛ 99	12/84	772	101⅛	102⅛	−1⅛	7.11
Toshiba Crmcs. 3 2000	4/85	1734	100⅛	101⅛	−0⅛	11.94
Nippon Oil 2⅛ 92 SFr	3/84	1052	*†101⅛	102⅛	+0⅛	20.13
Nippon Shn. 2 92 SFr	3/84	801	†119	120	−1⅛	11.81
Asics 5 92 DM	12/83	520	108⅛	107⅞	−0⅛	19.90
Renown 3⅛ 90 DM	3/85	675	104	105	0	−0.09
Sum Realty 6⅛ 92 DM	2/83	338	386⅛	387⅛	−1⅛	−2.54

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL COMPANIES and FINANCE

Honda lifts consolidated earnings by 28%

By Yoko Shibata in Tokyo

HONDA MOTOR of Japan achieved a 28.1 per cent rise in consolidated net profits to Y116.41bn ($575.3m) in the nine months to last November, a performance which was attributed to strong sales in Japan and the US and a Y14.30 drop in the yen's average exchange rate against the dollar over the period.

This offset a substantial increase in research and development spending and other sales expenses.

Honda noted, however, that third-quarter earnings from its overseas subsidiaries — which have a year ending in December —cover operations from July to September, during which period the impact of currency movements on earnings was relatively minor, a greater impact is foreseen for the fourth quarter due to the weakening of the dollar against the Yen.

Even so, group net profits in the three months to November began to slow down, with only a 3.3 per cent gain to Y33.92bn, on sales of Y656.82bn, up 8.3 per cent.

Nine-month sales rose 10.8 per cent to Y2,163.6bn of the total, 70.5 per cent came from overseas markets.

Marcos calls off merger of two banks

By Samuel Senoren in Manila

PRESIDENT Ferdinand Marcos of the Philippines has called off the planned merger of two state banks, Philippine National *Bank (PNB) and Development* Bank of the Philippines (DBP), in what appeared to be a turnabout from a commitment made last year to the International Monetary Fund and the World Bank.

Instead, the two banks will be allowed to continue operations independently but will transfer all their non-performing accounts to the Government, in order to aid their return to viability.

These accounts, estimated at more than 100bn pesos ($5.24bn), represent as much as 70 per cent of their total loan portfolios.

BHP INCOME BOOST FOR HOLMES à COURT

Bell Resources trebles net profits

BY MICHAEL THOMPSON-NOEL IN SYDNEY

BELL RESOURCES, one of the companies controlled by Mr Robert Holmes à Court, the Perth businessman, almost *trebled net profits last year*, to reach A$104.2m (US$71.9m) compared with A$34.9m in 1984.

A final dividend of 7.5 cents a share boosts the total payout from 12.5 cents to 15 cents per share.

In addition, there will be a one-for-five bonus issue, despite a share split two months ago, and this will qualify for the dividend. In Sydney, Bell Resources' shares surged 50 cents *to a closing A$6.50.*

Bell Resources is the energy offshoot of Mr Holmes à Court's Bell Group. Its biggest bonanza last year was investment income, which rose from A$22.5m to A$135m, thanks mainly to the company's 18.5 per cent effective stake in Broken Hill Proprietary (BHP), Australia's largest company.

In addition, Bell Resources generated premium income of A$44m on BHP options and warrants, which will be included in the 1986 accounts. This figure compares with a loss *on other activities of A$5.1m* in the previous year.

For some weeks the market has been expecting a fresh Bell foray into BHP—a manoeuvre that may now have moved closer as a result of the exceptional level of profits achieved by the potential predator in 1985.

Bell Resources has not equity-accounted its BHP profit entitlement, but will include a supplementary statement in its 1985 annual report. BHP's net profit is currently running at an annual rate of A$1bn-plus.

The latest bonus issue from *Bell Resources will apply to* all shareholders, plus holders of convertible notes, partly paid shares, and options.

Other major Bell investments include a 10 per cent stake in the huge Utah coal operation in Queensland, and a royalty on Bass Strait oil production. Turnover for the year totalled A$301.8m, up from A$144.8m.

Extraordinary profits of A$1.7m further expanded the attributable result, but these were far short of the A$77.1m in non-recurring earnings recorded last time.

MIM Holdings returns to the black at six months

BY OUR SYDNEY CORRESPONDENT

MIM HOLDINGS, the big Queensland coal and copper mining group, saw an abrupt turnround in the 24 weeks to December 8, recording net profits of A$30.8m (US$21.3m) against a first-half loss of A$26.5m the previous year.

Revenue was 21 per cent ahead at A$633.8m although the company *said the improvement* was not due to any significant pick-up in metal or coal prices.

Conversely, cost-cutting and the depreciation of the Australian dollar helped to push MIM back into the black. The company is paying a first half dividend of two cents per *share: the payout for the comparable period was omitted.*

● Australia's Peko-Wallsend is spending US$54m to raise its stake in the Robe River iron ore project—the world's fifth largest—from 35 per cent to *almost 51 per cent, by buying* all the Western Australian iron ore interests of the Ohio-based Cleveland-Cliffs. Robe River produces more than 15m tonnes of iron ore annually.

Chase may pull out of Egyptian joint venture

BY ANTHONY WALKER IN CAIRO

CHASE MANHATTAN BANK of the US is considering divesting itself of a 49 per cent share *in Chase National*, a joint venture bank in Egypt.

The bank stressed, however, that no final decision had been made, although it was engaged *in a review of its worldwide* operations.

Mr Fraser Seitel, the company's public affairs director in New York, confirmed that discussions had been in progress for some time with the Chase's Egyptian partner, the National Bank of Egypt, which is the country's largest public sector commercial bank.

Mr Seitel described the joint venture Chase National Bank of Egypt, which has total assets standing at more than $900m, as a "good solid business." The dividend received by Chase in 1984 on net profits of about *$20m was a modest* $1.5m.

Late last year it decided to close its operation in Jordan, where it had one branch

The Egyptian joint venture was established in 1975.

Abdullah resignation widens rift at Promet

BY WONG SULONG IN KUALA LUMPUR

HOPES OF a compromise between Datuk Brian Chang of Singapore and the Mohamed brothers of Malaysia in order to avert a clash for control of Promet, the oilrig and construction group, were dashed yesterday with an announcement by Dato Abdullah Mohamed that he has designed from the Promet board because of policy differences.

The resignation came just two *days before an extraordinary* general meeting, requisitioned by two shareholders sympathic to Datuk Chang, who is Promet's managing director. The meeting will seek to dismiss Tan Sri Ibrahim Mohamed, Dato Abdullah's brother, as the group's chairman.

Dato Abdullah yesterday conceded that Datuk Chang was likely to get his way at the EGM on Thursday, but he gave strong hints that the battle for Promet was far from over, and could spill over to the political arena and the courts. The Mohamed brothers are politically well connected.

Datuk Mak Kok, a close associate of Dato Abdullah, is currently suing Datuk Chang over an alleged promise to sell 100m Promet shares to him in exchange for shares in various companies, including Selangor *Properties, of which Tan Sri* Ibrahim is a major shareholder. Datuk Chang has denied he has made such a pledge.

The Mohamed brothers, widely regarded as examples of dynamic Bumiputra (Malay) businessmen, hold about 11 per cent of Promet, while Datuk Chang and his family control between 30 and 40 per cent of the 335m shares.

Tan Sri Ibrahim and Datuk *Chang took over Promet in 1980* and soon transformed it into one of the glamour stocks on the Malaysian and Singapore exchanges. However, the partnership became strained 18 months ago because of conflicting management styles, aggravated by several ill-timed investment decisions and shrinking profits.

Dato Abdullah, who was joint managing director until a *month ago, said his resignation* was prompted by disagreements over policies on employment, award of subcontracts, purchase and procurement, the implementation of the Langkawi Island tourist project and disclosure of management information.

He said Singaporeans were given preference to Malaysians in employment, orders and contracts. The Langkawi project, *estimated* to cost more than US$1bn, was being held back because Promet wanted to control all aspects of its development, instead of decentralising and farming out opportunities to investors, Dato Abdullah added.

He also criticised Promet's decision to go into oil exploration because it had little experience in that field. So far, the group has invested 100m ringgit (US$40m) in exploration in China, Indonesia and Malaysia, with very modest results.

Promet shares have been in virtual free-fall over the past two years and currently sell at around 60 cents, giving the group a market capitalisation of just over 200m ringgit. At the end of 1983 it was capitalised at 1.08bn ringgit and ranked 14th on the Kuala Lumpur stock exchange

Bombay SE intervenes to stem price surge

By John Elliott in Bombay

BOMBAY Stock Exchange authorities have intervened in the market for the first time in more than two months to stem a surge in share prices that has built up in the past few weeks.

Reflecting increases on India's other 13 stock exchanges as well as in Bombay, the All India share index of the Economic Times, the country's main business newspaper, rose from 489.7 just before Christmas to 508.4 on January 2 and 534.7 on January 10.

Pre-payment margins of 10 and 20 per cent were introduced last week on sales and purchases in 32 leading Bombay issues and the market responded, with the index faltering and then falling back to 522.8.

The increase was a delayed response to the Indian Government's long-term fiscal policy, which was announced just before Christmas and was followed by a brief decline on the stock markets.

The fiscal policy promises companies continued tax reforms, including a reduction of surtax for high-earning com*panies which have foreign* equity covered by the country's Foreign Exchange Regulation Act. In the past few weeks there have also been a series of relaxations of the country's industrial policy licensing arrangements, *benefitting large companies in* particular.

Share prices started rising a year ago, responding to the policies of Mr Rajiv Gandhi's new Government and the budget in March. They reached a peak in August and then dropped back in response to trading restrictions and selling by government-owned financial institutions.

The Government is worried that the country's unsophisticated share markets may rise unrealistically high and then crash, hurting inexperienced investors and knocking economic confidence. It will therefore continue to authorise interventions in the market during the current year when further substantial increase in prices are expected.

First Leisure's 50% profit growth

A 50 per cent advance in pre-tax profits at First Leisure Corporation has more than fulfilled the directors' expectation, and is at the top end of the City's forecast.

All sections showed increased returns, and led to a rise in turnover from £41.38m to £47.47m and a lift in profits from £6.75m to £10.14m in the year ended October 31 1985. The dividend is stepped up by 1p to 7.5p net, with a final of 5p, and the directors are proposing to make a one-for-four scrip issue.

Lord Delfont, chairman and chief executive of the group, which was formed in late 1982 on the acquisition of the leisure interests of Trusthouse Forte, says he looks to the current year with confidence. All units are profitable, projections indicate further growth from existing business, and an increasing profit flow can be expected from the recent strategic investments.

"Our cash flow is strong, our gearing neglible, and we have negotiated lines of credit available for expansion opportunities," he tells shareholders.

The group's activities include the operation of seaside piers, holiday and leisure centres, discotheques, squash, snooker and bowling clubs, and theatres.

During the year capital of some £14m was invested in maintaining and enhancing the the profit earning capabilities at established venues and in acquiring new businesses and sites for future growth.

Lord Delfont believes that the particularly dismal summer last year had the effect of sending people from the beaches into the group's various indoor leisure establishments.

The Empire, Leicester Square, the flagship dancing operation, had a record year. It enjoyed the benefits of a good tourist season and showed volume growth during the remainder of the year. There was another major increase in discotheque profits, and the conversion of the two theatre restaurants into a new discotheque format is expected to make a significant contribution to profits this year.

Lord Delfont says the two London West End theatres enjoyed success. Box office receipts are at a record for the new musical Chess which opens at the Prince Edward Theatre in mid-May. The freehold of this theatre was acquired for £1m last October, and future trading policy for this and the Prince of Wales (of which the group owns the headlease and freehold) will be the concentration on the role as landlord rather than producer

The year's pre-tax profit comprised: dancing, sports and holidays £5.27m (£4.09m); piers, entertainments and leisure centres £5.7m (£4.34m); live entertainments £434,000 (£76,000); property and investment disposals £424,000 (£284,000); less central administration expenses £1.46m (£1.25m) and interest £229,000 (£778,000).

Tax charge is £3.55m (£1.74m) to leave the net profit at £6.6m (£5.02m) for earnings per £1 share of 26.1p (22.7p) basic and 25.2p (21.7p) fully diluted.

Cost of discontinuing the theatre restaurant business came to £388,000 and has been charged as an extraordinary item.

● comment

The market knew it could depend on First Leisure for a really pleasing set of results, but it was not quite ready for a 35 per cent increase in profits dished up with a glowing statement, and the shares rose 2p to 430p against the tide of a falling market. Almost without exception all parts of Lord Delfont's empire are excelling themselves although the real winner is the Blackpool Tower. A successful marketing drive, and incessant rain which cleared the beaches, ensured profits from the Tower of well over £1m. At the theatres, discos and sports clubs the story has been the same: refurbish constantly and watch the crowds pour in. Despite such progress all round and a move to new headquarters during the year, administrative costs were tightly controlled—up by only 16 per cent. There is no reason why more should not be sucked out of existing assets this year, while two large new discos, snooker clubs and the recently-acquired squash clubs should contribute to a pre-tax total of £12m. None of this is news to shareholders—after a spectacular rise over the last year the shares are on a prospective p/e multiple of 14—a well deserved premium to the sector.

Further increase expected at AGB

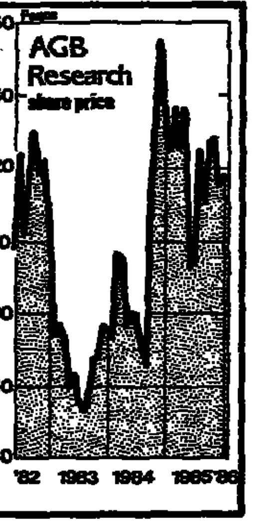
AGB Research, the consumer and industrial market research group, yesterday reported a near 15 per cent interim profits increase and said it expected to better the £9.2m achieved in the 1984-85 year.

The main areas of AGB's business again progressed during the six months to end-October 1985, resulting in an overall taxable profit of just over £4m compared with £3.49m. Turnover was 16.6 per cent higher at £54.15m against £46.44m.

Market research in the US, in particular, produced good results, said AGB, while the publishing group showed a marked recovery and television research continued to be a successful area.

Shareholders will receive a higher 2.75p (2.5p) interim dividend with earnings per share ahead from 4.12p to 4.95p. Tax was higher at £1.87m (£1.52m) but minorities were reduced at £120,000 (£314,000).

AGB said that work had continued on its television project in the US, but said that it was too early to form a judgment of prospects in that market.



● comment

There are three core reasons why AGB's profits came in some £300,000 short of expectations. Interest charges were up by £300,000, higher Australian dollar earnings translated into lower sterling profits and some of the companies within the information division were not up to scratch. So yesterday the analysts were shading back their forecasts to around £10.8m pre-tax for earnings per share, a little over 14p. But perhaps more important than the year's profit is progress towards going national with a television audience measurement system. Through Morgan Grenfell, AGB is looking for a partner; someone with the money to back its know-how. Potentially £20m of capital equipment needs to be funded though the actual cost could be substantially reduced if, for example, it opted for leasing. What is for certain is that AGB will not plough ahead without a partner. A mistake could cripple the group. It hopes to halve its borrowings to £13m by the year end with the sale of its Australian minority holding and its share of the Hanger Lane development but writing £25m of goodwill off the share premium account could still leave it 60 to 70 per cent geared. The p/e of 15, at 217p, is justified by expectations of £13m or so pre-tax for the next year but the shares are high enough for the present.

Macarthys' restructuring comes through in profit

BY DAVID GOODHART

INTERIM PROFITS up 18 per cent were announced yesterday by Macarthys Pharmaceuticals, which is facing a hostile £35m takeover bid from the investment trust John Govett.

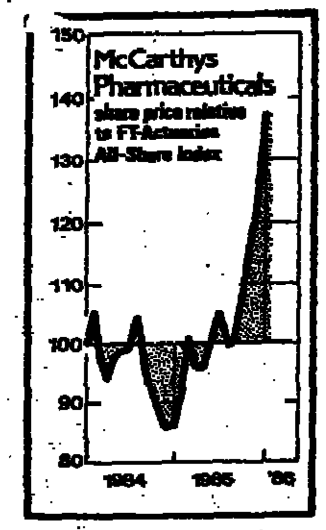
The bidder has not yet posted its official offer document, but has accused Macarthys of a flat performance—between 1981 and 1985 its turnover increased from £184m to £286m but profits fell slightly from £4.61m to £4.06m.

However, Mr Albert Slow, the non-executive chairman of Macarthys, yesterday said that the markedly improved results showed striking evidence of the company's restructuring over the past year.

First half results, to the end of October 1985, showed improvements in all divisions other than surgical where the company said it had been hit by aggressive price competition in disposable products. The overall pre-tax profits stand at £2.5m compared with £2.12m for the same period last year. Manufacturing and veterinary improved particularly strongly by 62 per cent and 42 per cent respectively.

Turnover was down slightly from £151.7m to £146.8m. Pharmaceutical distribution — easily the largest part of the company—accounted for £106.7m (£113.9m) but profits were up from £1.5m to £1.6m.

The interim dividend is lifted from 2.2p to 3.5p net.



Mr Slow spelt out some of the changes which began last February and are scheduled to reach completion in April. First, wholesale depots have ben cut from 17 to 11; a computerisation programme will be completed in March; the manufacturing division has been combined in one management unit; and the senior and middle management has been extensively reorganised with a new managing director, finance director and chairman in the past 18 months.

Mr Slow, who was himself part of these changes moving from managing director and non-executive chairman last September, said that in view of the far tighter financial controls the offer from John Govett "is opportunistic and fails to reflect the company's prospects." He added that the rationalisation would yield further benefits over the coming years.

A spokesman for John Govett —which is making the bid through a new company Jadelle —said yesterday that following the results announcement they would be seeking an early meeting with Macarthys, whose share price remained on 270p.

See Lex

Matthew Clark advances 13% midway

SATISFACTORY FIGURES have been achieved so far by Matthew Clark and Sons (Holdings), the wine and spirit distribution and British wine making group, and the directors remain confident about the outcome for the full year ending April 30.

Because EEC regulations, as implemented by the stock exchange, require the publication of interim accounts for six months instead of eight months as has been Clark's practice, the interim figures this time run to October 31 1985 and therefore do not cover the important Christmas period.

Nevertheless the directors regard them as satisfactory. Turnover, net of excise duty, rose from £25.61m to £28.61m and profit before tax showed a 13.44 per cent lift, from £2.55m to £2.9m. And the volume during November and December exceeded that of 1984, the directors add. A number of brands achieved improved sales and a higher market share.

At the end of October a wholly owned Australian operation was set up and the potential of this will be reflected in future.

For its last reported interim period, covering eight months, the group made pre-tax profit of £4.23m, compared with £3.39m in 1983. By the ned of April 1985 this had moved up to £5.96m (£4.26) and the group paid a total dividend of 7p net.

The current interim is raised from 2.5p to 3p net, from earnings for the six months of 11.9p (10p). This was struck after tax £1.19m (£1.15m) and minorities £674,000 (£536,000).

● comment

It is hard to know exactly how good these figures are from Matthew Clark. The shift from an eight to a six month accounting period has removed the yardstick against which to measure them and the critical Christmas season, no longer falls into the first half. However, the market—understandably—did not refrain from passing judgment yesterday, and the shares rose by 20p to 425p. On any reckoning a 13 per cent rise in pre-tax profits is encouraging compared to a figure last year that was inflated by one-off factors. Matthew Clark continues to pick up market share for its main brands, Martel, Stones Ginger Wine, and in particular for Old England which has been successfully repackaged. The move into Australia—where the luxury drinks market, although small, promises good growth—looks an exciting and far-sighted step. Although the shares have nearly doubled over the last year, on a prospective p/e of about 12½—assuming profits of £6.5m and 40 per cent tax—they do not seem expensive.

Appledore surges 44% and plans expansion

FURTHER GROWTH through the second six months enabled the A & P Appledore Group to lift its 1984-85 profits by a little over 44 per cent.

And with earnings emerging 7.87p higher at 18.66p the dividend for the year is raised from 0.45p to 6p net, the final being 4p. However, the previous payment would have been 4.57p had the group's shares been listed for the whole of the year ending September 30 1984.

The group, with consultancy interests in shipbuilding and shiprepairing as well as shipyard management, came to market in October 1984 via a placing of 1.4m 10p shares at 87p per share.

The results announced yesterday, showing turnover up from £2.77m to £3.61m and pre-tax profits up by £312,000 to £1.02m for the year to September 1985 were spot on City estimates. However, the group's shares closed 15p lower at 290p.

The consultancy sector had a successful year with turnover on consultancy activities increasing from £1.79m to £2.27m and profitability improving significantly.

There was a continuation of a good level of business in the US, Canada, Mexico, Brazil and Australia and in the UK for British shipbuilders.

Support to the yards managed by the group also continued to contribute consultancy work.

The directors expect a continued demand for the group's consultancy services and, opportinued demand for the group's management contracts are currently under investigation.

It is their intention to extend its activities by means of suitable acquisitions and new projects as well as by organic growth.

The shipyards management sector also saw an increase in business with the group taking on management contracts in Gibraltar and at Falmouth. Turnover rose from £980,676 to £1.34m.

Neorion shipyard (Syros) performed satisfactorily and shareholders have extended the management agreement for a year while the parties work out a further long term agreement.

Dubai drydocks trading results were again highly satisfactory and its current financial year is likely to give rise to a significantly improved contribution to the group's results.

Falmouth Shiprepair came under Appledore's management in March 1985. Trading conditions in Northern Europe were very difficult and by the end of 1985 small losses appeared in the management accounts. A number of steps have been taken to reorganise the operation and the company is confident that shiprepairing will return to profitability in the near future.

The group's share of the first results of Cushold, the joint venture company formed with Bellway to acquire Falmouth Shiprepair, will be included in the current year's results.

Interest charges for the past year accounted for £53,000 (£91,000) and tax for £431,000 (£355,000).

Extraordinary debits amounted to £50,000 (£185,000) and related to the acquisition costs of Falmouth Shiprepairs—the previous year's figures were the costs of the share placing.

Retained profits emerged at £330,000 (£125,000) after deducting dividend payments of £207,000 (£40,000).

At year-end the group's balance sheet showed a "strong" position and shareholders' funds were £2.02m, an increase of 51.4 per cent over the comparable position of the previous year.

FII rises 32% to I£4m

FII, Dublin-based fruit and vegetable merchant, has lifted pre-tax profits by 32 per cent to I£4.02m (£3.5m) against a previous I£3.04m in the year to end-October 1985.

The group has also acquired Daniel P. Hale (Fruit Importers), and a 50.1 per cent stake in Gillespie & Co, which distributes packaged consumer goods.

The directors state that the positive trend for FII at the interim stage, when profits reached £1.33m (£1.06m), has been maintained for the full year and that the trading result is satisfactory.

They remain confident about its long-term prospects. Turnover for the year improved by 30 per cent from £82.88m to £81.86m.

A final 3.26p (2.72p) dividend is being recommended, making an increased 4.62p (3.9p) total. This will be paid from earnings per 5p share shown 40 per cent ahead at 12.7p (9.07p). The company's shares are traded on the USM.

The acquisition of Hale, a private company based in Belfast, which distributes fresh fruit and produce, will be satisfied by £1.28m for the business plus £350,000 for an unrelated commercial property owned by Hale, which has since been sold for that sum.

Total consideration, of £1.63m, is being satisfied by the issue of 384,583 new ordinary FII, £545,000 cash, and £545,000 of FII convertible loan stock.

Hale is expected to make a pre-tax profit of £300,000 in 1986, and at October 1985 had net assets of £325,000. Its managing director Mr Daniel Hale will continue to run the company. He will also become managing director of FII (Northern), which is the FII brokerage division in Northern Ireland, and will join the FII board.

Directors say that the acquisition of Gillespie should lead to further opportunities in the distribution area through both internal growth and acquisition. FII has had only a limited involvement in general distribution business so far.

Consideration for the 50.1 per cent holding is £430,000 cash. The balance of the equity is held by Addis of the UK.

For the year ending January 1 1985 Gillespie's pre-tax result was £220,000 and its adjusted net assets at that date were £900,000.

The tax charge for FII for the year was £1.59m (£1.43m).

Atlantic Computers sales surge

BY RICHARD TOMKINS

Atlantic Computers, the computer leasing group, yesterday announced that its sales in the final quarter ended December 1985 had approached the £55.1m achieved for the whole of 1984.

It also claimed to have become the leading independent supplier of large IBM systems in the UK last year.

The market was pleased with the statement and moved the shares up 5p to close at 245p. At one time they touched 250p.

This follows "the exceptionally busy" first half ended June 30 1985 when turnover advanced from £32.5m to £55.8m and pre-tax profit from £3.8m to £7m.

Atlantic said yesterday that it had supplied nine IBM 3090 Sierra computer systems worth £47m in its second half and that it had a near 50 per cent share of independent 3090 Sierra installations during the year.

"Our order position for further 3090 machines remains strong and we expect to consolidate our position during the current year," the company said.

"We look forward to 1986 with considerable confidence for the group as a whole."

Asked whether the group had plans for an acquisition, Mr Roy Gibson, marketing director, said: "It is our policy to continue the expansion and development of the group and acquisitions will play a part in that, but we are not having any discussions we can talk about at this stage."

First Castle

Morgan Grenfell, advisers to Morgan Crucible in its contested £41m bid for First Castle Electronics, announced yesterday that it had received acceptances totalling 2.18 per cent of the defence oriented company's equity.

In addition and since the five for seven shares bid was made in early December, the bidder has bought on Crucible's behalf shares equivalent to 1.24 per cent of the issued capital, giving it 3.42 per cent in total. The offer has been extended to February 4.

Harvard

Harvard Securities has decided to offer a 5p warrant cash alternative in the offer attached to its bid for United Computer and Technology Holdings.

Microsystems joining the USM

BY RICHARD TOMKINS

MICROSYSTEMS GROUP a manufacturer of bus ticket machines, taxi meters and other electronic products, is coming to the Unlisted Securities Market through a placing of 2.4m shares at 127p a share by Hambros Bank.

This price will give the group a market capitalisation of £14.3m. Brokers to the issue are Hoare Govett.

The business was founded in 1975 by two former Plessey employees, Mr Roger Harding and Mr Michael Jackson. It began as a design consultancy but the following year started producing microprocessor electronics for its customers.

In 1979 the directors decided to develop their own electronic products and this activity has now expanded to account for about 60 per cent of turnover.

The group's main product is the Wayfarer ticketing system which is used on driver-only buses. It says more than 40 UK bus operators have installed the system and claims to have a 12-13 per cent market share.

Microsystems has also developed a magnetic ticket-handling system for use with passes, multi-journey and time-limited tickets.

Other products are the Callog telephone management system, which is attached to customers' private telephone exchanges and records time, duration and number of all calls made; the Micro-time electronic clocking-in machine; and the Sheriff taxi meter, which it believes may account for 30 to 40 per cent of new taxi meter installations in London and the provinces.

Of other activities, distribution of components — mainly Scotch-flex flat cable connector systems on behalf of 3M and microprocessor controls on behalf of Mitsubishi — accounts for 26 per cent of sales. Design and manufacture of electronic equipment accounts for the other 14 per cent.

Pre-tax profits have grown from £148,000 in the year to October 1981 to £1.4m in the year to October 1985.

Some £2m of the money raised will go to the directors. The company will receive £800,000 after expenses.

Hampson ahead by 27%

A THREE MONTH contribution from Ian Walker Furniture, acquired last July, has helped Hampson Industries boost pre-tax profits by 27 per cent in the half-year to September 30 1985.

Turnover for this West Midlands-based engineer and industrial cleaner improved by 23 per cent from £9.97m to £12.28m, while the pre-tax result jumped to £612,632, against £483,476 previously.

Mr John Wardle, the chairman, says that the directors are encouraged by the performance of Ian Walker and are satisfied that its acquisition will be of tangible benefit to shareholders.

The increase in turnover of the substantive group was just over 14 per cent, with a similar increase in pre-tax profits.

The interim dividend is lifted from 0.3p to 0.345p, and the directors are satisfied that they will be able to recommend a similar increase in the final.

For the year to March 1985 the group achieved pre-tax profits of £1.31m.

After a tax charge of £262,612 (£217,564) net profits emerged £84,108 ahead at £350,020 for stated net earnings per 5p share up from 1.12p to 1.45p.

Setback for SEET but interim lifted

Pre-tax profit of Scottish English and European Textiles, maker of clothing fabrics and mohair products, fell from £539,000 to £872,000 in the half year ended October 31 1985.

This follows a drop of £1.5m to £8.52m in turnover, mainly attributable to the closure of J. Blackburn and the lack of a bulk order for the mohair company.

Second half turnover is expected to show a similar reduction compared to last year, but margins should continue to be satisfactory, the directors say.

They are raising the interim dividend to 1.6p net (1.4p) and expect to at least maintain the final at 3.5p. Earnings worked through at 8.32p (10.44p) after tax £266,000 (£374,000) and minorities £72,000 (£46,000). Cost of the interim is £64,000 (£56,000).

For the year ended April 30 1985 the group produced a pre-tax profit of £1.83m from a turnover of £18.5m.

Bluemel offshoots sold

A CONDITIONAL contract has been signed to sell the remaining subsidiaries of the loss-making Bluemel Bros group. Anglo Continental Cycles and Accessories and Ron Kitching (Wholesalers) are being bought by a new company, Ron Kitching Ltd, formed by two Bluemel directors, with the backing of investors in industry.

The consideration is £1.18m, of which £200,000 has already been paid, £934,000 cash will be paid on completion and £48,150 a year later.

The two companies made combined pre-tax profits of about £136,000 in the year to the end of September 1985, at which date they had net assets of about £1.4m. They are involved in the importing and distribution of bicycle accessories and components.

Bluemel's share price was suspended in September last year at the company's request pending clarification of its financial position. Shortly before that two subsidiaries, Bluemels and Saracen Cycles had been put into receivership and since then Ray Engineering, which was trading profitably, has been sold.

Bluemel's only remaining asset is the site at Coventry from which Bluemels and Saracen previously carried on business.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
AGB Research	int.	2.75	April 1	2.5	—	6.5
A. & P. Appledore		4	March 7	0.45	6	0.45
British Bloodstock‡	int.	2.5	Feb 26	2.5	—	2.5
Matthew Clark	int.	3	April 7	2.5*	—	7*
FII‡		3.26§		2.72	4.62	3.9
First Leisure		5	April	4.5	7.5	6.5
A. & J. Gelfer	int.	2	April 24	1.9	—	5.2
Hampson Inds	int.	0.35†	March 10	0.3	—	1.05
LPA Indst	int.	1.6	Feb 26	1.4	3	2.45
Macarthys Pharm	int.	3.5	April 7	2.2	—	8.2
SEET	int.	1.6	March 3	1.4	—	4.9
Wm Sommerville	int.	1	Feb 25	0.55	—	7

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish currency throughout.

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High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed

UK COMPANY NEWS

Charles Batchelor on GEC's decision to sue Plessey for libel

Where the Panel's writ doesn't run

THE INCREASINGLY aggressive tone of many of the recent multi-million pound takeover battles culminated on Monday with the decision by General Electric Company to sue Plessey for libel over parts of Plessey's defence document.

GEC, which this week saw its £1.2bn takeover bid for its smaller electronics rival referred to the Monopolies Commission, had been shocked by the tone of the 30-page defence document sent out by Plessey on January 13.

Lord Weinstock, managing director of GEC, described it as "a document which would have done credit to Dr Goebbels." Mr James Prior, GEC chairman, said it presented "a caricature of GEC and a fanciful idealisation of Plessey."

Normally companies take disputes over the wording of documents and, increasingly, advertisements, issued during bid battles to the takeover panel. The panel, which applies strict controls to what can be said during a bid, will then ask the offending party to issue a correction or a retraction if this is justified.

GEC, however, felt so incensed by the Plessey document that it decided that the intervention of the panel was not enough. It took the decision, without parallel in recent bid history, to go to law.

GEC was particularly concerned at two quotations used by Plessey to back its arguments.

It claimed the offending statements included "a calculated misquotation of a remark by Mr Robert Sheldon, chairman of the House of Commons committee of public accounts, in connection with the Tigerfish torpedo."

GEC also alleged that Plessey had used a quotation from a report by de Zoete & Bevan, GEC's stockbrokers "which is so highly selective as to amount to a blatant misrepresentation."

Plessey said it had been advised that GEC's complaints were without foundation and announced it would defend the action to the full.

The takeover panel polices the wording of documents sent out during takeover bids very closely. Rule 29 requires documents to "satisfy the highest standards of accuracy and the information contained therein must be adequately and fairly represented."

Why did the panel not intervene this time to referee between the warring parties?

Lord Weinstock, managing director of GEC

Sir John Clark, chairman of Plessey

● Firstly, GEC was unhappy with the way the panel had handled a complaint from de Zoete last week about the use of the offending quotation. The panel had asked Plessey to issue the full text of the quotation to the Stock Exchange.

Plessey was not required, however, to send the full text to its shareholders or to explain its release to the Stock Exchange that the reprinting of the full text was in any way a correction or amendment to what had been used in the document. GEC felt this rendered the point of the repetition meaningless.

GEC took the view that there was no point in taking this matter up again on its own behalf since it did not feel the panel would act swiftly or effectively.

● Secondly, the panel felt it was not in a position to rule on detailed factual questions such as the success or otherwise of the Tigerfish torpedo.

● Finally, faced with two bid contenders — both of which refused to back down—the panel had to admit that its role of intermediary had come to an end.

"When people reach for their lawyers and start suing each other then the panel steps back," commented one official.

In the GEC/Plessey bid the dispute revolves around an alleged libel. In an earlier case, the £248m bid battle between rival electrical retailing groups Dixons and Currys, the dispute centred on contract law.

Currys went to the High Court in December 1984 in an unsuccessful attempt to block the bid.

There is no doubt that many people in the City are worried that increasing recourse to the law will damage the system of self-regulation by which bids are currently policed by the takeover panel.

Plessey set a litigious note earlier in the bid battle when it called in the US courts to ensure that GEC extended its offer to Plessey's US shareholders.

A Delaware court last week turned down Plessey's request for an injunction and Plessey said yesterday it was withdrawing its complaint following the referral of the GEC bid.

Plessey did not rule out further recourse to the US courts if GEC is cleared to resume the bidding.

The panel has also gone to some lengths over the past year or so to emphasise how seriously it takes the question of the accuracy of takeover documents.

It put out a warning circular on the quality of takeover circulars at the end of 1984 and followed this up with a lengthy section devoted to this subject in its 1984-85 annual report published last June.

In December 1984 the panel warned against the use of inaccurate or misleading statements or comparisons, and in particular unsatisfactory graphs and diagrams.

From that date the panel required a correction of a misleading circular to be published within 48 hours, whether or not there was any intention to mislead.

Returning to the subject in its latest annual report, the panel warned that it might be forced to take "draconian action" if, during the later stages of a bid, there was no time for an effective correction of an unsatisfactory claim.

However, it also said it would not require a correction if the point complained of was minor.

GEC's decision to turn to its lawyers shows that fine judgment is called for by the panel in deciding whether a matter is significant or trivial.

Hanson criticises Imperial's proposals

By Martin Dickson

Hanson Trust, which is making a £1.8bn takeover bid for Imperial Group, the food, tobacco and brewing business, said yesterday that Imperial's recent asset revaluation made "even more of a financial nonsense" of its rival plans to merge with United Biscuits.

Imperial unveiled the £616m revaluation surplus on its pubs, hotels, restaurants and shops last week in its defence document against Hanson.

Hanson, which characterises the proposed Imperial/United link-up as a "reverse takeover" of Imperial, yesterday produced charts which, it said, showed that Imperial would contribute 78.7 per cent of the combined group's net assets, against 21 per cent for United. However, Imperial's shareholders would end up with only 58.2 per cent of the combined business, against 41.8 per cent for United's shareholders.

"Having produced this asset revaluation," Hanson added, "the Imperial board fails to spell out its implications—reduced profit arising from increased depreciation charges and lower return on capital employed as a result of the apparent 'increase' in shareholders' funds."

Hanson—its offer reaches its first closing date on Friday—said Imperial's defence document had failed to answer the key points made in its offer document.

Hanson's growth in earnings and dividends per share had far outstripped Imperial's: an investment of £1,000 in Hanson at the beginning of 1980 would be worth £11,302 now, against £3,460 for the same amount invested in Imperial.

Wadkin receives bid approach

By Lionel Barber

Wadkin, the Leicester-based woodworking machinery and machine tool company, yesterday disclosed that it had received a bid approach from an unnamed predator.

The news sent Wadkin's share price racing to 170p, before closing at 156p, up 16p on the day.

Mr Michael Goodard, chairman, said talks with the unnamed party were "at an early stage" and he hoped to make a further announcement soon, possibly next week.

Last year, Wadkin announced a drop in interim pre-tax profits to end-June 1985 from £482,000 to £186,000, although turnover increased by 21 per cent from £15.43m to £18.65m.

The problems stemmed from an inability to match production to a rise in demand for machine tools and management difficulties at the Greenboro branch in the US. Wadkin also suffered from general weakness in the UK housebuilding industry last year which affected the market for woodworking machinery.

Yearlings down

THE INTEREST rate for this week's issue of local authority bonds is 11¾ per cent, down ⅛ of a percentage point from last week, and compares with 11⅞ per cent a year ago. The bonds are issued at par and are redeemable on January 28 1987.

A full list of issues will be published in tomorrow's edition.

Rivlin makes small profit

I. D. & S. Rivlin Holdings, the USM-quoted property, household textiles, and fitted kitchens company, has achieved a first half taxable profit of £35,000 against a comparable loss of £42,000.

However, the result included interest earned on the proceeds of the capital and rights issue received last May. These sums were retained on deposit until November when the purchase of the land at Thoiry, France was completed.

Turnover for the six months to end-October 1985 was lower at £592,000 (£775,000). There was no tax but there was a £32,000 (£17,000) extraordinary charge representing an ex-gratia payment to the former chairman who retired in July. The corresponding charge related to the disposal of Rivlin's interest in Morgan Edwards (Ideal Homes).

Earnings per 5p share were 0.05p (losses 1.06p). There is no interim dividend.

The directors say that the company is now in a position to commence a marketing programme aimed at potential users, and it is planned to use the services of major British and French agents to assist in this campaign.

Rivlin is also acquiring a small number of infill sites to complete the overall site at Thoiry and this will increase the gross area to approximately 27 hectares.

LPA up 25% to nearly £1m

A STEADY demand for standard products in its traditional markets resulted in turnover at LPA Industries climbing by 25.6 per cent from £4.79m to £6.02m in the year to September 30 1985. Pre-tax profits for the period rose from £779,199 to £995,617, an increase of 27.8 per cent. As a result, earnings per share of this Essex-based industrial electrical accessories manufacturer, were up from 7.75p to 11.84p.

The total dividend is raised from 2.45p to 3p net with a final of 1.6p against 1.4p. A one-for-five scrip issue is proposed.

Mr Arthur Rusch, the chairman in his annual statement says the results also reflect, for the first time, the contributions from the two subsidiaries acquired at the end of 1984, Crawley Refrigeration and Jarnets. Almost entirely due to Crawley, group exports increased from £559,860 to £1.04m, a rise of 86 per cent.

Mr Rusch says the new year has started satisfactorily, and group, quoted on the USM, has every reason to anticipate a wholesome year.

After tax down from £367,460 to £351,335, dividends of £163,290 (£133,354) and amortisation of revaluation surplus, £37,756 (£38,014), retained profits emerged at £518,648, compared with £292,488, which included an extraordinary debit of £34,911.

William Sommerville

William Sommerville & Son, paper maker, has trebled its interim taxable profits from £107,000 to £325,000 on turnover ahead from £3m to £3.95m.

Currency and raw material prices moved, for once, in the company's favour, say the directors. The dividend for the six months to end-November 1985 is being lifted from 0.55p to 1p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Cantors.
Finals: Anglia Television, Crescent Japan Investment Trust, Lookers, New Tokyo Investment Trust, TACE, Union Carbide.

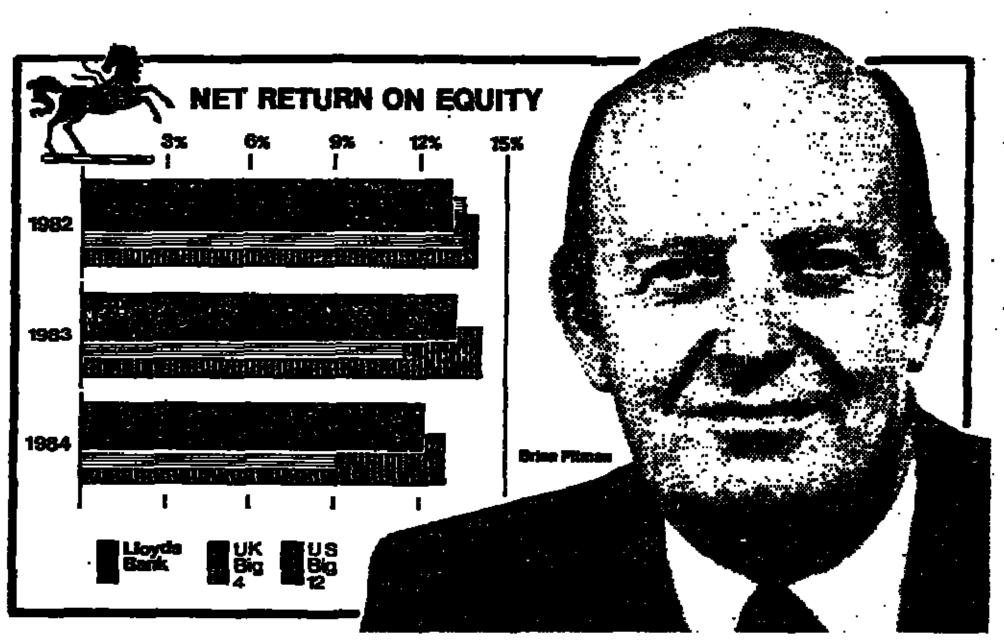
FUTURE DATES

Interims—

Apex Properties	Jan 23
Astec Industrial	Jan 24
Centrovincial Estates	Jan 23
Chancery Securities	Jan 29
Courtney, Pope	Feb 21
Douglas (Robert M.)	Jan 30
Dyson (J. and J.)	Jan 31
Equipu	Jan 27
Finlan	Jan 28
Imry Property	Jan 23
Saville Gordon (J.)	Jan 27
Finals—	
ASEA	Feb 20
Camford Engineering	Jan 28
Leda Investment Trust	Jan 28
Lonrho	Jan 30

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ



Chasing better returns

David Lascelles explains why Lloyds Bank is concentrating its efforts on raising profitability and quality of earnings

RISING PROFITS have long been viewed as the key to international confidence in banks, even if they tend to be taken for granted at the UK's big clearers. But the huge changes that are sweeping through banking markets are forcing bankers to take a much closer look at where and how they earn their money. New yardsticks are also needed to measure their performance.

The need for greater stress on profitability has been advocated particularly strongly—in public anyway—by Brian Pitman, the chief executive of Lloyds Bank. His concern is not simply that banks must make more money, but that they must generate better rates of return to attract shareholders and, from them, the fresh capital which banks need more than ever before.

"Shareholders have much higher expectations now," he says, commenting that in the past banks have delivered poor returns, and that this has resulted in stock markets consistently undervaluing them.

Concern about profitability might seem commonplace in business. But it is a recent phenomenon in UK banking where the sheer size of the clearers' hundreds of millions of pounds of profits has tended to disguise their poor profitability.

What has sharpened their concern is the fact that they are no longer just competing with each other but with other types of institutions like securities houses and building societies whose profitability standards are quite different. And they are not just competing with them for markets, but also for capital, and not just on the home front but internationally too.

Lloyds is the smallest of the Big Four, with assets of £44bn, but it likes to think of itself as the most "upmarket" and individualistic: it has gone its own route in the City Revolution by not buying a stockbroker, and it has made a big play of its unique diversification into the estate agency business.

Generally regarded as among the better managed of the UK clearers, it is dogged by a heavy exposure to Latin American countries with debt problems, which make its accounts less typical of the clearers as a whole.

In the two years since he took over the top executive post at Lloyds, Pitman has tried hard to woo the shareholder. This has involved him in trying to establish what amount to rates of return acceptable to the capital markets, and painstakingly measuring the performance of all parts of the bank itself.

"Our research shows that we must make a real rate of return of 10 per cent to compete with other investments," he says. "Assuming inflation at 5 per cent, that means a 15 per cent return on our equity after tax." Historically, this is way above the real rates that Lloyds—and the other clearers for that matter—have achieved for some years.

Recently returns have been falling rather than rising, largely because of the heavy toll of bad debts and, in 1984, the exceptional tax provisions in the Budget. But after hitting 12 per cent in 1984, Lloyds got back to 13.5 per cent in the first half of last year, so progress is being made. Pitman also prefers to measure returns after tax—what the Americans call the "bottom line"—rather than before as is more customary in the UK, "because that is what is left to put back into the business."

To improve returns, Lloyds devised a way of allocating capital to all its activities to see how much each of them earns.

Some parts of Lloyds' business are not capital-intensive—estate agency for example—but they were allocated capital on the basis of what is typical in that line of business.

This exercise helped shape some of the big strategic decisions which Lloyds has taken in the last year or two. For instance, it has sold off £260m of investments, such as its stake in Grindlays Bank, and the Royal Bank of Scotland, and various properties and smaller holdings. According to Pitman, the average yield on these assets was "5 per cent — less than we could get simply by putting the money into gilts."

At the beginning of this year, Lloyds also merged in its international side, Lloyds Bank International, which had operated as a separate entity, splitting the bank's resources and duplicating a lot of effort. This will enable Lloyds to make single loans of several hundred million dollars. "Unless you can do that you're not in the race," says Pitman.

Concern about returns has led Lloyds to select its targets more carefully. The decision not to buy a stockbroker was taken, according to Pitman, mainly because the bank could not see the investment matching up to its profitability goals in the foreseeable future. The cost of acquisition would be high, and the intensity of competition in the City Revolution pointed to slim profits, if not actual losses (though this has not stopped Lloyds setting up its own dealership in the gilt-edged market).

Special services for the wealthy, finance for coffee traders, UK housing finance, these are some of the specialised markets that Lloyds is trying to pick off, though without withdrawing from the basic retail and corporate banking business or merchant banking which it is tackling with a newly formed merchant banking subsidiary.

Pitman is particularly keen to harness new technology not just to cut costs but because its long lead time gives the innovator a better start on the competition than traditional banking products which can be copied by rivals in weeks if not days. "It's one of the best ways to differentiate yourself." He believes that over time, specialisation will make banks more rather than less different: few will be all things to all men.

As part of his drive to improve the quality of Lloyds' earnings, Pitman has tried to insulate Lloyds' profits from forces over which it has no control, like changes in interest rates and currencies, by running a much better matched book. He has also rewarded shareholders with much stronger dividend growth than the other banks: 17 per cent a year on average over the last five years.

The international dimension to Lloyds' quest for higher returns is that it increasingly considers itself to be competing for capital against foreign banks, so its profitability must measure up to—preferably surpass—theirs. Only two weeks ago, Barclays Bank sought a listing on the Tokyo Stock Exchange to raise its profile on the Japanese capital markets, an indication of this mounting international competition. "In my opinion, it is not a question of whether we should seek a Tokyo listing, only when," says Pitman.

The UK banks' returns on equity are not much different from foreign banks, but with their huge staffs and branch networks they probably have more scope to raise productivity in the long run than their leaner overseas rivals.

The stock market has not been deaf to Pitman's declamations about higher returns—nor to the enticing sound of higher dividends—though the impact could possibly have been greater.

Lloyds shares have outperformed the UK banks over the last 12 months (they have risen 22 per cent against the all share index, according to Greenwells, the stockbrokers, compared with 12 per cent for Barclays and 3 per cent for National Westminster). Its shares now sell at a discount of 25 per cent from its net value, up from 50 per cent two years ago.

But it is a matter of some debate just how much this has to do with profitability; some analysts say the easing of worries about Latin America plays a role. All banks have improved with the stock market boom, and Barclays' discount on net value is less than 10 per cent, suggesting that investors are still worried about the quality of Lloyds' loan book and the possibility that it may have to divert profits to cover bad debts.

But the message is getting across. One leading City banking analyst says the emphasis on post-tax returns is "the right idea" because it reflects global trends and because UK banks are less able to shelter tax since the changes to taxation brought in by the 1984 Budget.

Terry Smith at Greenwells also commends Lloyds for refraining from making a rights issue even though it could do one without any problem. "They realise that capital is a scarce resource." The message that dividend payments will be linked to the rise in post-tax profits had also come across "loud and clear" he says.

Corporate growth

Characteristics of leadership in medium-sized companies

BY CHRISTOPHER LORENZ

MOST organisations associate failure with incompetence. So it is not altogether surprising that there are very few managers around who freely admit to making mistakes.

But at MCI Communications Corporation, AT & T's fast growing challenger in long-distance telephone services, executives go so far as to volunteer their errors to outsiders without even being asked.

This sort of open recognition that mistakes are an essential ingredient of innovation is one of the key characteristics of high growth, medium-sized companies, according to Donald Clifford, Jr and Richard Cavanagh.

At MCI "making and learning from mistakes seems to be a central part of the management catechism," claim Clifford and Cavanagh. This risk-taking mentality is just one of many entrepreneurial attributes that MCI has been able to sustain during its past decade of rapid growth from small business into a $2bn corporation.

Clifford and Cavanagh's comments are made in a jointly written book The Winning Performance, which is selling well in the United States and will be published in Britain in the spring*. Subtitled "How America's high-growth mid-sized companies succeed," it attempts to do for medium-sized companies what "In Search of Excellence" (which has sold over 4m copies) did for big business. Both books come from the same stable: the high-flying consultants of McKinsey and Co, for whom Cavanagh still works and Clifford did until his recent retirement.

The book is based mainly on a study made in 1983 of about 100 members of the American Business Conference which have annual sales of between $25m and $1bn. All these "midsized" companies, as they are dubbed (though $1bn is getting large by European standards) had increased their sales or profits by an annual 15 per cent-plus over the five years up to the study. MCI has grown much faster. In 1983 its revenues were just over $1bn; they are now running at twice that level.

Clifford and Cavanagh report that there are 14,500 US companies in this mid-size range. They comprise less than 1 per cent of all US businesses, yet make a disproportionate contribution to the US economy, accounting for 25 per cent of all sales and nearly 20 per cent of private sector employment.

The lessons which can be drawn from the management of these companies can be applied to companies of any size, the two authors argue in an article in the latest McKinsey Quarterly which summarises their book.† They include "managing purposeful innovation" (by various means, such as the MCI technique); providing entrepreneurial leadership; and achieving a balance between spirit and discipline.

Obsessive

The leaders of midsize growth companies successfully instill their own obsessive commitment to the company into their colleagues and employees, say Clifford and Cavanagh. This does not necessarily require charisma. Some of the winning chief executives, including MCI's Bill McGowan, have more than their fair share of it, but many more "are mere mortals when it comes to moving a crowd, capturing the imagination of the press, or evoking passionate followings.

"But their personal leadership is effective, because through more soft-stated example they instil values. They care about those values and about their people. Clearly charisma helps, but the medium is not the message: substance is."

Another key aspect of successful leadership, argue the two authors, is planning for one's own retirement. More than any other issue, this apparently preoccupied the chief executives they interviewed during their study. "The most successful entrepreneurial executives have the organisational perspective and personal security to anticipate when the organisation's future demands better, different, or new skills, talents, energy or focus—and to stand aside when the time comes."

Achieving a balance between entrepreneurialism and discipline in a fast-growing company is extremely difficult, warn Clifford and Cavanagh. "The key still is knowing what few things to control—not trying to control everything." Thus at Perdue Farms, a top American poultry supplier, "quality control consumes a vast amount of Frank Perdue's and his top management's energies." But decisions on most other issues are delegated.

Successful chief executives also make sure that objectives and procedures are not in conflict with each other. The bigger and more disparate the organisation, the more likely this is to happen, warn the two authors. "Managers are told to 'get close to their customers,' but then travel budgets are cut. Innovation and risk-taking are encouraged by the boss's words, but monthly profit goals and incentive plans tied to them punish small mistakes . . . Rhetoricians call these situations irony. We call them lousy management."

** Published in US by Bantam, price $19.95. To be published in UK in March by Sidgwick & Jackson, price £14.95.*
† Autumn 1985. From McKinsey & Co, 74 St James's St, London SW1, and McKinsey offices worldwide.

Miss Melita Marshall

We are asked to correct the impression given by our September 24 1985 review of Domino Printing Sciences plc under the title "From corner shop to supermarket" that Miss Marshall, who had by then resigned from the Board of the company, did so at the company's request because of changing management requirements.

Miss Marshall in fact left the company for her own reasons and to the regret of the company. Her abilities as a director to sustain the growth of the company were not called into question.

Domino wishes to apologise to Miss Marshall for any implication to the contrary which may have been given.

FT COMMERCIAL LAW REPORTS

Removal of fixtures without filling holes is an act of waste

MANCETTER DEVELOPMENTS LTD v GARMANSON LTD AND GIVERTZ

Court of Appeal (Lord Justice Kerr, Lord Justice Dillon and Sir George Waller): December 20 1985

A TENANT who lawfully removes tenant's fixtures during his tenancy commits an act of waste if he fails to make good holes left by the fixtures which affect the structure of the building; and where a director instructs his company to remove tenant's fixtures without making good, he may be made personally liable to the freeholder for the company's act of waste.

The Court of Appeal so held (Sir George Waller dissenting) when dismissing an appeal by Mr Philip Givertz from an order made by Sir Ian Percival QC sitting as a deputy Official Referee. By that order the plaintiff, Mancetter Developments Ltd, was given judgment for £824 against Mr Givertz, second defendant in an action for waste, and for £771 against the first defendant, Garmanson Ltd. Garmanson was insolvent and in liquidation. It did not appeal.

* * *

LORD JUSTICE DILLON said that Mancetter owned industrial premises in Northamptonshire.

On January 29 1973 it let them to Pilot Chemical Company for 42 years, with full repairing obligations on the tenant.

Pilot used the premises for a chemical business and, to that end, put in various pipes which pierced the outside walls of the building. It also put in extractor fans.

Installation of the fans and pipes involved cutting holes in the cladding and lining of the walls, or in the brickwork.

It was inferred that the installation was done with Mancetter's consent. It was common ground that the fans and pipes were tenant's fixtures which Pilot would have been entitled to remove during the term of the lease.

Pilot failed to keep the premises in repair and got into financial difficulties. On January 6 1978 a receiver was appointed. He agreed to transfer Pilot's assets, including the lease and tenant's fixtures, to Garmanson, a company formed or acquired for the purpose.

On February 6 the receiver sold and transferred Garmanson's entire issued share capital to another company, of which Mr Givertz was managing director. Mr Givertz thereupon became a director of Garmanson and was its only active director.

Garmanson went into occupation of the premises on February 6 1978. It decided that it was not viable to continue trading there and delivered up possession to Mancetter in October.

Before delivering up possession it removed all the tenant's fixtures installed by Pilot. That was done by employees and removal contractors, instructed by Mr Givertz. It involved reopening the holes in the cladding, lining and brickwork, which had been made when the fixtures were installed.

No attempt was made to fill up or make good the holes. Mancetter suffered damage. When it re-let to new tenants it had to allow a seven month rent-free period because of the disrepair.

In 1981 Garmanson went into liquidation. It was insolvent. Mancetter's claims against it were only relevant insofar as they provided the basis for a claim against Mr Givertz personally as Garmanson's sole active director who gave the instructions.

Mr Givertz was under no liability in contract to Mancetter nor was he a guarantor of the original lease, or of any arrangements under which Garmanson was let into possession.

There were, however, cases which established that if a director gave instructions for the commission of a tort by the company, he might be personally liable in damages to the injured party, though the tort was the act of the company (see *Rainham Chemical Works [1921] 2 AC 465, 475; Performing Rights Society [1924] 1 KB 1, 14-15*).

The Official Referee held that, in removing the fixtures without making good the holes in the brickwork, cladding and lining, Garmanson committed acts of waste which were tortious. He further held that as Mr Givertz had directed the tortious acts he was personally liable in damages to Mancetter.

If the judge was right that Garmanson's acts were acts of waste, Mr Givertz's personal liability must follow, because he directed and procured those acts.

The question was whether Garmanson's acts were acts of waste—ie tortious.

"Waste" was defined in *Woodfall's Law of Landlord and Tenant Vol 1, p 644* as being "a spoil or destruction to houses gardens trees or other corporeal hereditaments to the injury of the reversion or inheritance."

It was divided into two main categories, voluntary waste and permissive waste.

Permissive waste was a matter of suffering buildings to fall into disrepair by neglect. Voluntary waste, which was in question in the present case, was said in *Woodfall* to be actual or commissive, as by pulling down houses or altering their structure.

Waste was a somewhat archaic subject. Actions for disrepair were now usually brought on the covenant. But there was no reason to doubt the continuing validity, as a statement of the current law, of the following passage in *Woodfall*: "When fixtures which have become part of the realty and irremovable according to law have been removed, the landlord may sue for waste . . . Where such waste amounts to a breach of covenant, the landlord may sue either in tort, or on the covenant . . ."

If removal of fixtures which had become part of the realty and irremovable according to law (landlord's fixtures) was actionable for waste, what was the position where tenant's fixtures were lawfully removed, but the places where they were installed were not made good?

It was possible that when a tenant's right to remove trade fixtures was first recognised by the courts, that right was upheld irrespective of any damage caused to the premises by the removal (see *Poole's* case, heard in 1703, reported in *(1822) 1 Salk 368*).

However, the position that developed was that "the tenant is liable to repair the injury the premises may sustain by the act of removal" (*Amos and Ferard on the Law of Fixtures 3rd ed, page 124*).

The extent of the liability as expressed in *Foley (1844) 13 M & W 174, 196, 199* was that the tenant must leave the premises in such a state as would be most useful and beneficial to the lessors or those who might next take the premises, and must not leave them in such a state as not to be conveniently applicable to the same purpose.

That was interpreted as a requirement of the law that if tenant's fixtures were removed the premises must be made good to the extent of being left in a reasonable condition.

The liability to make good or to repair, insofar as it was a liability at common law and not under contract, must be the liability of the person who removed the fixtures and not of the person, if different, who originally installed them and left them there.

At common law the liability to make good was a condition of the tenant's right to remove tenant's fixtures. Therefore removal without making good, being in excess of the right of removal, was waste, actionable in tort. It was commissive rather than permissive waste.

It seemed contrary to common sense and to the concept of voluntary waste as something which applied even in the absence of any contract or repairing covenant, that a tenant should be allowed to remove fixtures without filling in the holes.

So long as the fixtures remained installed, the building was wind and weather proof. If they were removed and the holes not filled, the reversion suffered damage. To make good that damage by filling in the holes was part of the condition attached by law to Garmanson's right to remove the fixtures.

The filling of screw or nail holes might be a matter de *minimis*, and the tenant's obligation did not extend to redecorating. But the leaving of holes such as those in question affected the structure and was not a matter of mere decoration.

The appeal should be dismissed.

Lord Justice Kerr gave a concurring judgment.

SIR GEORGE WALLER, dissenting, said that all Garmanson did was to remove its own property without doing any damage to the walls. The reality was a wall with a hole in it and not a wall with a hole fitted with an exhaust fan.

Counsel was unable to cite any case where it was held that voluntary waste could be committed by an omission to do something.

Since it was accepted that no damage was caused to the walls when the fittings were removed it could not be said that Garmanson was guilty of waste in removing the fittings. There was no tortious act at that time. It followed that Mr Givertz could not be guilty of authorising a tort.

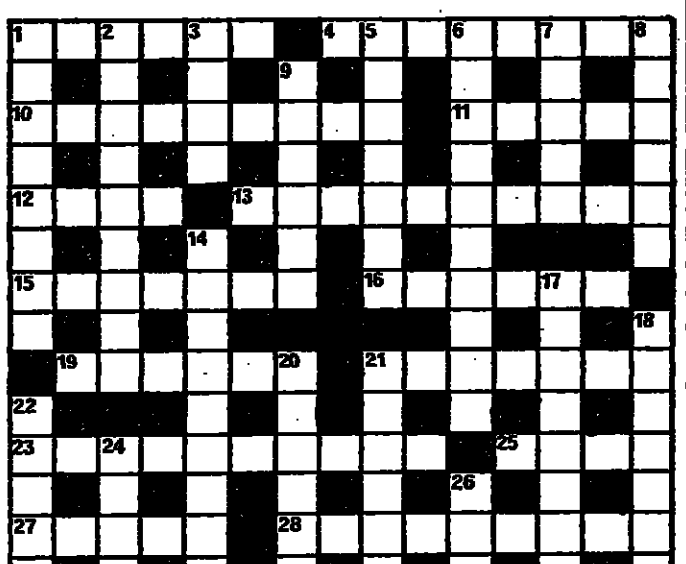
For Mancetter: Oliver Smith (F. B. Hancock and Co., Banbury).

For Mr Givertz: Nicholas Nardecchia (Robbins Olivey and Blake Lapthorn, agents for Leeds Smith, Sandy).

By Rachel Davies
Barrister

THESE REPORTS will be published in volume form with the full texts of judgments. For details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Phone 01-831 0391.

F.T. CROSSWORD PUZZLE No. 5,928



ACROSS

1 and 4 Found out like acrobat in 13? (6, 2, 3, 3)
10 US call him in variety—seen in 13? (5-4)
11 First one in 13 is a special occasion (5)
12 Ted and Una initially could be performing in 13 (4)
13 Where saw-bones works (3, 7)
15 A noise surrounding beginning of trick is to bewilder (7)
16 Noteworthy groups possibly in 13 (6)
19 and 21 Keep the business going in 13 (2, 4, 3, 4)
23 13's main males (7, 3)
25 Iran fails to fall (4)
27 Don to mislead (3, 2)
28 Eurasian, one hears, is 50 per cent of 13's players (4-5)
29 Dot's tape rewound to take place later (8)
30 Whispers heard in 13 (6)

DOWN

1 Made coin for change appearing in 13? (8)
2 Description when sheets are undisturbed? (7-2)
3 Take top off shed that's hired (4)
5 Lion, wild with nervous effect from the river (7)
6 Passed on from a palm? (6, 4)
7 Anxiety produced by flying gnats (5)
8 1 down will hope for more than this (6)
9 He'd followed Club and got into hot water! (6)
14 Those with roles in 13 were originally this (10)
17 13's production has to be before first 11 (9)
18 Wearing combinations? (4-4)
20 Arrogant bowler from the top shelf? (4-3)
21 Voice included in 16? (Perhaps, by chance!) (6)
22 Fielder close to wicket—a mistake (4-2)
24 Voices included in 16 for some theatrical "Tosca" (5)
26 Parts of what's 27 in 13 (4)

Solution to Puzzle No 5,927

APPOINTMENTS

New chief for John Menzies

Mr T. P. Callaghan is retiring as managing director of JOHN MENZIES on October 1. He will remain on the board in a non-executive capacity. He will be succeeded by **Mr Ranald Noel-Paton** who joins John Menzies later in the year. Mr Noel-Paton is currently general manager, Far East, of British Caledonian Airways based in Hong Kong.

★

Mr H. E. Fitzgibbons has joined the board of HAMBROS ADVANCED TECHNOLOGY TRUST as managing director.

★

Mr Barry Perry has been appointed managing director of CROWTHER OF SYON LODGE.

★

GRUNDON GROUP has restructured its management team, following the retirement of the founder, **Mr Steve Grundon**. **Mr R. R. (Dick) Willgoss** becomes group chairman. He was managing director of S. Grundon (Services). **Mr Norman Grundon** is appointed group managing director. He was previously managing director of S. Grundon (Waste). Three new directors are appointed to the boards of both Grundon Group operating companies: **Mr Derek Steggall, Mr A. J. (Tony) Mitchell** and **Mr Richard D. Bray.**

★

THE HICKIE BORMAN TRAVEL GROUP has been established by AGB Research, Mr Vladimir Raitz and Mills Reif Leisure. The new company acquired the travel agency businesses of the three shareholders, namely Travel Specialists, Hickie Borman Travel, Holiday in America (London) and Jetstar (Ewell, Surrey). Group chairman will be **Mr Vladimir Raitz.** Group managing director and group deputy managing director respectively will be **Mr Alan Reif** and **Mr Michael Mills** from Mills Reif Leisure. **Sir Bernard Audley** and **Mr Peter Tyrer** from AGB Research complete the board.

★

The NFU MUTUAL INSURANCE SOCIETY has appointed **Mr W. R. Morrow** as a general director from February 1. He succeeds **Mr R. B. Martin** who retires on January 31. Mr Morrow is a former president of the Ulster Farmers' Union.

★

Mr R. E. C. McCathy has been appointed as chief executive of DELERAY (HOLDINGS).

★

Mr Parry Rogers, chairman of the Institute of Directors and a director of The Plessey Co, has joined the board of BUTLER COX & PARTNERS as a non-executive director.

★

Two companies within the SWINDON GUIDEX group have made significant board appointments: Guidex has appointed **Mr Andrew Tomkins** as commercial director and **Mr Keith Price** as works director. In addition, in the absence of the chairman and managing director, Mr Tomkins will assume responsibility as second-in-command. Swindon Letter File has promoted **Mr Alan Sawyer** to sales director and **Mr Graham Walker** becomes a director with special responsibility for group transport.

★

Mr Denis Brain has been appointed director of customer services by TRIFID SOFTWARE, a division of American Can (UK).

★

Mr John Birch has been named senior vice president, director of human resources for BURSON-MARSTELLER/UK. He moves from New York to Burston-Marsteller's London office.

★

EDMUND GOODRICH has appointed **Mr Roger Miles** to the board as merchandising director. He was formerly purchasing director of GKN Stern Osmat.

★

Dr Patricia Crocker has been appointed to the new post of director of information technology at the LSE from March 1. Dr Crocker is currently head of the computer service at the Polytechnic of the South Bank.

★

GIROBANK has appointed **Mr Geoffrey Taylor** in the new role of head of international and City services. He will be based at the bank's London headquarters in the City.

★

THE NATIONAL ECONOMIC RESEARCH ASSOCIATES INC has appointed **Mr Patrick Jenkin** as a member of its UK advisory board. He was a member of the Cabinet from 1979 until September 1985. NERA is a member of Marsh and McLennan Companies Inc.

★

PACIFIC SALES ORGANISATION has appointed **Mr Andrew Lawson** as deputy managing director with marketing responsibilities. He joined in 1984 as commercial manager.

★

Mr John C. Botts has been appointed chairman of CITICORP INVESTMENT BANK. He will be directly responsible for the bank's corporate finance activities in the UK including mergers and acquisitions and venture capital. Mr Botts was previously managing director of CIBL—a position he has held for the past three years. **Mr Francesco Redi** has been named chief executive with responsibility for all Citicorp/Citibank fixed interest securities, money market and foreign exchange activities in the UK and northern Europe. Mr Redi was previously in London as regional treasurer of Citibank NA. His more recent assignment was treasurer for North America at Citicorp's headquarters in New York.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Baltic Trust Managers Ltd
25/26 Albermarle St, London W1X 4AD
01-491 0295

American	43.8	46.9xd	+0.2	4.94
Australian	19.2	20.6	+0.6	0.49
Japan & Gen.	65.3	69.9	+0.7	1.42
High Income	39.2	42.0	−0.1	8.61
Intnl Trust	64.5	69.0	−0.3	2.83
Income Grth Tst	39.6	42.4	−0.3	4.83
Gilts & Fixed Int	19.1	20.5xd	−0.1	12.11
Global Markets Sits	30.2	32.3	.....	1.41
Special Situations	34.9	37.4	−0.5	2.50

Barclays Unicorn Ltd(a)(c)(g)
Unicorn Ho. 252 Romford Rd, E7 01-534 5544

Unicorn America	79.4	84.6	+0.6	2.47
Do. Aust. Acc.	142.7	151.8	+2.1	1.67
Do. Aust. Inc.	101.8	108.2xd	+1.5	1.67
Do. Capital	58.8	62.5	−0.6	3.41
Do. Euro Grth. Acc.	56.4	60.0	+0.2	1.36
Do. Euro Grth. Inc.	56.4	60.0	+0.2	1.36
Do. Exempt Tst.	349.0	371.2	−4.3	4.40
Do. Extra Income	58.1	61.8	−0.1	6.38
Do. Financial	194.5	206.9	−1.7	3.68
Do. 500	214.9	228.6	−1.5	3.68
Do. General	115.3	122.6	−1.1	3.48
Do. Gilt & Fxd. Int. Inc.	50.5	52.8	−0.2	10.32
Do. Growth Acc.	151.0	160.6	−1.1	2.67
Do. Income Trust	267.2	284.2xd	−3.2	4.11
Do Japan & Gen Tst Acc.	111.9	119.0	+0.9	0.45
Do Japan & Gen Tst Inc.	110.8	117.9	+0.9	0.45
Do. Leisure Tst.(z)	67.8	72.1	−0.2	1.64
Do. Recovery	152.9	162.6	−1.4	3.09
Do. Special Sits. Tst.	116.4	123.8	−1.3	3.00
Do. Trustee Fund	88.6	94.2xd	−1.2	3.51
Do. Univ. Tech. Acc	46.8	49.7	−0.1	0.42
Do. Univ. Tech. Inc.	46.5	49.4	−0.1	0.42
Do. W'wide Trust	128.9	136.4xd	+0.5	1.19
B'tst. In. Fd. Acc.	260.6	277.2	−3.1	3.86
B'tst. In. Fd. Inc.	170.8	181.6	−2.1	3.86

Baring Fund Managers Ltd
PO Box 156, Beckenham, Kent BR3 4XQ 01-658 9002

Australia	52.1	55.7	+0.1	0.8
Eastern	45.5	48.6	−0.7	0.8
Equity Income	46.9	50.4	.....	6.2
Europe	87.7	93.7	+0.6	0.9
Growth & Inc.	52.8	56.7	−0.4	2.30
Do. Accum.	79.2	85.1	−0.6	2.30
First Japan	53.2	56.8	.....	0.3
First Smaller Cos Tst.	55.5	59.4	−0.2	2.7
First Europe Tst.	77.6	82.9	+0.9	0.8
First Nth America Tst.	45.5	48.6	+0.4	3.4
Japan Special	63.8	68.2	+0.2	0.3
Japan Smaller	65.2	69.7	+0.3	0.3

Barrington Mgmt Co Ltd (z)
59 Gresham St, London EC2P 2DS 01-606 4433

Planned Inv	99.0	105.4	.....	2.60
Gen.	127.0	134.8xd	−1.0	3.88
(Accum. Units)	171.9	182.5	−1.4	3.88
High Yld.	69.4	73.6xd	−1.0	6.82
(Accum. Units)	135.3	143.5	−1.7	6.82
Gilt	103.7	106.9	−1.5	10.21
(Accum. Units)	160.2	165.0	−1.7	10.21
Smlr Co (Split into 5)	61.1	64.9	−1.2	2.43
(Accum Units)	71.8	76.1	−1.5	2.43
Pacific	95.0	100.1	+1.0	0.61
(Accum. Units)	106.8	112.4	+1.1	0.61
N.American (Split in 5)	42.7	45.5xd	+0.3	1.12
(Accum. Units)	49.4	52.6	+0.3	1.12
European (Split in 5)	71.8	75.4xd	.....	1.38
(Accum. Units)	88.0	92.4	−0.1	1.38
Japan	150.5	160.2	+1.3	0.36
(Accum. Units)	151.2	160.9	+1.4	0.36

Bishopsgate Progressive Mgmt. Co
15 St James' Place, London SW1A 1NW 01-493 8111

B'gate Prog Jan 21	400.7	431.1	+4.2	2.05
Acc Units Jan 21	1,202.8	1,271.8	+5.7	2.05
B'gate Int Jan 14	1015.6	1074.2	.....	0.89
Accum Jan 14	1230.9	1301.9	.....	0.89
Brstogan Jan 15	177.5	188.0	.....	—
Can & For Jan 16	120.0	127.4	.....	1.61
Accum Jan 16	126.2	134.0	.....	1.61

Brewin Dolphin Unit Tst Mngrs Ltd
5 Giltspur St, London EC1A 9DE 01-248 4400

Brewin Capital Fd	106.5	111.0	.....	1.88
Brewin Dividend Fd	54.5	56.8	.....	6.74
Brewin Int Gth Inc Fd	108.6	119.2xd	.....	4.36

Bridge Fund Managers (a)(c)
Regis House, King William St, EC4 01-623 4951

Amer. Gen. Inc.†	64.6	70.2	.....	0.57
Do. Acc†	65.3	70.9	.....	0.57
Income*	122.3	133.7	+0.3	4.68
Capital Inc.‡	105.5	113.4	.....	2.09
Do. Acc.‡	134.5	146.8	.....	2.11
Exempt§	250.0	269.0	.....	2.17
Intl. Recovery Inc.‡	38.2	41.1	.....	1.98
Do. Acc.‡	50.8	54.8	.....	1.98

Dealing *Tues. ‡Wed. †Thur. Prices Jan 13/14/15.

Britannia Unit Trust Managers Ltd. (a)(c)(g)
74-78 Finsbury Pavement, London EC2A 1JD
01-588 2777 Dealing: 01-638 0478/0479
Britannia Viewpoint 01-675 4466

UK Specialist Funds				
Growth Gilt Trust	55.9	56.1	.....	1.12
Smaller Cos.	119.0	126.9	−0.7	1.46
General Funds				
UK Growth	31.9	34.0	−0.5	2.32
High Income Funds				
Extra Inc.	49.2	52.5xd	−0.4	8.65
Gilt	23.5	24.7xd	−0.1	8.45
Inc & Growth	165.3	176.3	−1.1	4.97
Nat. High Inc.	162.4	173.2	−1.3	5.45
Pref. Shares	17.5	18.7	.....	10.53
Sector Specialist Funds				
Commodity Shares	131.4	140.2	−0.2	2.74
Financial Secs.	38.5	41.1xd	−0.4	2.51
Gold & General	20.2	21.8xd	+0.2	2.79
Int. Leisure Alt.	14.3	15.3xd	.....	1.39
Prop. Shares	48.4	51.6	−0.2	1.65
Univ. Energy	45.0	48.0xd	−0.2	0.81
World Tech.	40.3	43.0	.....	0.73
Overseas Growth Funds				
American Growth	30.8	32.9	+0.2	3.90
Am. Smaller Cos.	23.0	24.5	−0.1	1.95
Australian Growth	68.7	73.3	−0.1	0.49
Euro Smaller Co Tst.	12.8	13.6	+0.1	0.43
Far East	35.3	37.7	+0.3	1.24
Hong Kg. Perfmnce	24.7	26.3xd	+0.1	3.54
Intl. Growth	30.5	32.5	.....	2.17
Int. Recovery Tst	86.5	92.3	−0.9	2.43
Japan Perf. Trust	38.2	40.7xd	+0.1	0.00
Japan Smllr Co's Tst	10.3	11.0	+0.1	0.00
Overseas Income Funds				
American Income	55.7	59.4	.....	6.04
Int. High Income	49.5	52.6	−0.3	5.96
Exempt Funds				
Exempt	63.8	68.9	−0.7	4.21
Intl. Trusts				
Nattler Gilt & F.I.	66.5	68.2	−0.1	10.72

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CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE Dlg 01-236 3885

International Growth	124.8	133.5	+0.4	1.00
Income & Growth	45.0	48.7	-0.4	2.90
Special Situations	69.6	74.5	+1.0	2.10
American Growth	29.7	31.6		3.10
Japan Growth	35.4	37.7	+0.5	0.80
European Growth	52.9	56.6	+0.5	2.90
UK Growth	43.9	47.0	-0.3	1.30
Pacific Growth	33.3	35.6	-0.1	0.70
High Income	29.3	31.4	-0.1	8.10
Practical Income Units	43.8	46.6	-0.2	2.70
Practical Accum. Units	78.8	83.9	-0.2	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd.	71.3	75.8	-0.3	2.78
Accum Units	105.4	112.1	-0.5	2.78
Pearl Inc.	96.4	106.6	-0.9	4.85
Pearl Unit Tst.	101.9	108.4	-1.0	3.85
(Accum Units)	174.6	185.7	-1.7	3.85
Pearl Intl Equity	103.9	110.5	+0.3	1.81
(Accum Units)	103.9	110.5	+0.3	1.81

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	221.1	237.3	+0.4	1.99
Income	154.8	165.6	-1.1	5.34
Worldwide Recovery	124.5	133.6	-0.1	2.10
American Growth	60.7	65.2	+0.5	1.06
Intl. Emerging Cos.	67.1	72.1	+0.1	0.32
Far East Growth Fd.	52.9	56.8	+0.8	1.14

Prolific Unit Trusts
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc.	50.5	53.7	+0.1	4.82
Prolific Far East	113.6	122.1	+0.3	0.27
Prolific Extra Inc.	68.0	72.1		5.63
Prolific C'vert & Gilt	82.0	87.0	-0.7	7.24
Prolific High Inc.	143.6	152.5	-1.5	4.85
Prolific Intl	90.1	96.9	-0.3	1.54
Prolific N. Amer.	124.2	133.5	-0.5	1.92
Prolific Spec. Sits.	150.4	163.7	-1.8	1.39
Prolific Technology	105.8	113.8	-0.5	0.56

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc.	56.0	58.3	+0.2	0.00
Japan Acc.	56.2	58.5	+0.2	0.00
Worldwide Inc.	58.7	62.3	+0.3	1.58
Worldwide Acc.	59.3	62.8	+0.3	1.58
European Tst Inc	73.2	77.9	+0.5	0.66
European Tst Acc	73.5	77.8	+0.6	0.66
North American Inc.	51.5	54.6	+0.2	1.76

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	194.8	207.9	+0.6	2.31
(Accum Units)	218.7	233.0	+0.7	2.31
(Withdrawal Units)	141.0	150.2	+0.4	2.31
Australian Fund	116.7	124.3	+1.5	0.93
(Accum Units)	118.0	125.7	+1.6	0.93
British Fund	475.6	506.5	-4.9	4.65
(Accum Units)	633.0	674.2	-5.8	4.63
European Fund	231.0	246.9	+2.5	0.99
(Accum Units)	244.1	260.0	+2.7	0.99
Japan Fund	215.4	229.4	+1.0	0.37
(Accum Units)	216.0	230.1	+1.0	0.37
Saints PPP	143.6	151.2		–

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst.	326.7	347.5	-3.7	2.94
North America	51.8	55.1	+0.1	1.91
Far East	55.3	58.8	+0.6	0.83

Sun Life Trust Mngmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc.	25.6	27.2	+0.1	1.8
American Income Acc.	26.1	27.8	+0.2	4.5
American Income Inc.	25.8	27.4	+0.2	4.6
European Growth Acc.	42.2	44.9	+0.3	1.9
Far East Growth Acc.	28.9	30.7	+0.2	0.8
Inc. Growth Acc.	28.4	30.2	+0.2	0.8
Japan Growth Acc.	34.8	37.0	-0.1	0.3
UK Growth Acc.	29.2	31.1	-0.4	2.4
UK Income Acc.	26.7	28.5		4.6
UK Income Inc.	26.1	27.8	-0.1	4.5
Managed Growth Acc.	32.4	34.5	+0.4	2.2
Managed High Yield Inc.	33.0	35.1	+0.2	6.7
Managed Income Inc.	27.8	29.6	-0.3	4.2

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450161

Equity Dist.*	239.5	253.4		3.78
Equity Acc.*	290.3	305.0		3.78
Fixed Int. Dist.†	115.1	119.2		11.35
Fixed Int. Acc.†	168.9	175.0		11.35

*Prices on Jan 8. Next dealing Feb 12
†Prices on Jan 2. Next dealing Feb 5

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	100.8	107.3	+0.1	1.29
Do. Accum.	104.9	111.7	+0.1	1.29
TSB Extra Income	90.4	96.2	-0.5	5.95
Do. Accum.	104.0	110.7	-0.6	5.95
TSB General	132.0	140.5	-1.4	3.15
Do. Accum.	214.8	228.6	-2.4	3.15

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses b Today's prices. c Yield based on offer price d Estimated g Today's opening price h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance x Offered price includes all expenses except agent's commission y Offered price includes all expenses if bought through managers z Previous day's price ¶ Guernsey gross # Suspended ♦ Yield before Jersey tax † Ex-subdivision ‡‡ Only available to charitable bodies ♦ Yield column shows annualised rates of NAV increase ed ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Metal Closures	14
BOC Grp.	27	Midland Bk	35
BSR	8	NEI	18
BTR	33	Nat West Bk	55
Babcock	13	P & O Dfd	35
Barclays	33	Plessey	14
Beecham	30	Polly Peck	21
Blue Circle	50	Racal Elect	15
Boots	18	RHM	12
Bowaters	30	Rank Org Ord	35
Brit Aerospace	32	Reed Intnl	60
Brit. Telecom	17	Sears	11
Brown (J.)	3½	TI	35
Burton Ord	45	Tesco	24
Cadburys	13	Thorn EMI	34
Charter Cons	18	Trust Houses	12
Comm Union	23	Turner Newall	9½
Courtaulds	13	Unilever	90
Distillers	36	Vickers	35
FNFC	12	**Property**	
Gen Accident	55	Brit Land	14
Gen Electric	14	Land Secs	26
Glaxo	100	MEPC	26
Grand Met	30	Peachey	24
GUS 'A'	70	Samuel Props	15
Guardian	60	**Oils**	
GKN	20	Brit. Oil & Min.	3½
Hanson Tst	18	Brit Petroleum	45
Hawker Sidd	36	Burmah Oil	27
ICI	42	Charterhall	4
'Imps'	16	Premier	5
Jaguar	27	Shell	55
Ladbroke	27	Tricentrol	18
Legal & Gen	60	Ultramar	18
Lex Service	29	**Mines**	
Lloyds Bank	35	Cons Gold	40
Lucas Inds	38	Lonrho	12
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Malaysian commodity earnings decline

By Wong Sulong in Kuala Lumpur

EXPORT EARNINGS from Malaysia's non-oil commodities were estimated to have declined by 6.7 per cent last year to 14.4bn Ringgit (US$5.97bn) compared with 15.4bn Ringgit in 1984, Datuk Paul Leong, Minister of Primary Industries, said yesterday.

In a statement on the performance of the country's primary commodities, he attributed the lower export earnings to the fall in prices of rubber and palm oil, particularly in the second half of the year.

Earnings from rubber fell by 20 per cent to 2.92bn Ringgit, with volume little changed at 1.5m tonnes.

Palm oil and palm kernel oil exports rose by 10.5 per cent to 3.29m tonnes, but because of weak prices, earnings fell by 11 per cent to 5.09bn Ringgit.

Tin had a difficult year, with the collapse of prices following the closure of tin trading on the London Metal Exchange last October. Production fell by 12 per cent to 36,279 tonnes, although exports rose by 36 per cent to 54,000 tonnes due to higher imports of tin concentrates for smelting and re-export. Export earnings were estimated at 1.56bn Ringgit compared with 1.16bn Ringgit in 1984.

More than 8,700 tin miners lost their jobs last year, with the closure of more than 100 mines, leaving less than 13,000 workers in the depressed industry.

The only two commodities which recorded good export gains were cocoa and pepper, which are relatively minor crops, although the former seems set to become Malaysia's third export crop after palm oil and rubber.

Cocoa exports rose 14 per cent to 75,000 tonnes, and earnings totalled 373m Ringgit, an increase of 11 per cent.

Earnings from pepper were even more impressive, surging ahead by 77 per cent to 140m Ringgit.

Philippines sugar shortfall likely

By Samuel Senoren in Manila

PHILIPPINE sugar production for the first four months of the 1985-86 crop year, which began last September, reached only 380,000 tonnes, indicating that the national production target of 1.3m tonnes for the crop year may not be realised.

The industry has to set aside 208,000 tonnes to ship to the US as the Philippines' share of the US export quota.

Production for the year is not expected to be enough to meet both domestic demand and the US quota but officials hope to cover part of the shortfall with a surplus of about 100,000 tonnes carried over from 1984-85.

Officials warned that if the production trend caused by depressed world prices continued, the Philippines would face an acute sugar shortage next year.

Agreement near on farm aid fund

BY JAMES BUXTON IN ROME

THE INTERNATIONAL Fund for Agricultural Development (IFAD), the Rome-based UN agency which attempts to assist the poorest farmers in the world, expects this week to announce the successful conclusion of long-running negotiations on the replenishment of its resources.

Mr Idriss Jazairy, the president of IFAD, told the Organisation's governing council in Rome that the level of replenishment was expected to be lower than had been anticipated. But he added: "We shall endeavour to utilise these resources effectively with a view to consolidating the gains the fund has thus far made."

IFAD's future has been highly uncertain for more than two years, owing both to misgivings about the organisation on the part of the US Government and to the financial weakness of the Opec countries.

IFAD was founded in 1977 as an equal partnership between Opec and OECD countries. It began with $1bn of funds, and in 1982 members agreed a second replenishment of $1.1bn, of which 56 per cent came from OECD countries, 41 per cent from Opec countries and the remaining 3 per cent from other developing countries.

The US Government overcame its doubts about the value of IFAD some months ago, but objected to the decisions of other members to allow the Opec share of the second replenishment to fall to 40 per cent. Later, however, that objection was overcome.

It is now thought that IFAD members will be able to agree this week on a replenishment worth between $460m and $500m, divided 60-40 between OECD and Opec countries. But part of the Opec share may be advanced by other developing nations.

Mr Jazairy, who yesterday acknowledged the Opec group's "readiness to make sacrifices in spite of present adverse circumstances," said that the reduced second replenishment would be partially offset by the fund's $300m special programme to help small farmers in sub-Saharan Africa. The $300m for the three year programme is to be raised over and above the second replenishment.

Cotton price disaster for world's poorest country

BY JOHN MURRAY BROWN, RECENTLY IN N'DJAMENA

CHAD, the world's poorest country with an annual per capita income of just $80, looks set to make a massive loss this year on cotton, its principal export earner.

On improved volume figures of 45,000 tonnes of cotton fibre, up from 37,000 in 1984-85, Cotonchad the Government corporation 17 per cent owned by France's Compagnie Française de Développement des Textiles (CFDT), expects to lose more than CFA Fr 200 (41p) on every kilo sold.

The deficit accruing to the company could be as much as CFA Fr 9bn (£16.8m), the difference between costs to Cotonchad and the prevailing world market price.

One reason for this is the recent movement in world prices which in the last 5 months have plummeted from CFA Fr 750 to CFA Fr 370. And World Bank officials believe it will drop further.

At present the world market price is being depressed by an increase in supplies. For example China, a net importer of cotton in 1984, will this year produce 20m bales for export.

The recently approved US Farm Act, giving incentives to US cotton exporters and effectively subsidising domestic cotton production, will put further downward pressure on prices.

Stock levels which, according to Cotonchad, provide an accurate guide to future price movements, are very high. One official predicted that levels could double in the next 12 months.

The fall in the value of the dollar has been another factor exacerbating Chad's position.

According to Mr Ali Bomba, Chad's Finance Minister and president of Cotonchad, "the situation is very serious." He said he was reluctant to make a cut in prices paid to producers as this could act as a production disincentive. The price is currently fixed at CFA Fr 100 a kilo.

Another factor is the continuing security problem in the south of the country. A cut in prices could further antagonise southern groups.

In addition there appears little chance of savings in transport costs. Freight rates from this land-locked country to the Cameroun port of Douala have increased steeply over the last year according to Government officials.

Cotton provides over 85 per cent of the country's official export revenues and 70 per cent of Government revenues raised through tax on exports.

With Chad's budget deficit already at CFA Fr 50bn, according to unofficial estimates, the country could be faced with an unprecedented financial crisis unless market conditions improve substantially.

A short-term solution may be found through a World Bank loan currently being negotiated. But one official of Cotonchad said if conditions did not improve the Corporation could be bankrupt by the end of the month.

Legal row looms over tin crisis

By Stefan Wagstyl

A LEGAL row is threatening to erupt at the London Metal Exchange in the wake of the apparent failure of attempts to reach a negotiated settlement of the tin crisis.

Shearson Lehman Brothers, the US trading company which is part of the American Express group, has sent two solicitors' letters—one to LME trader Maclaine, Watson, a subsidiary of the Drexel Burnham Lambert investment house. A second American Express subsidiary Shearson Lehman Metals, an LME trader, is not directly involved in the action.

Shearson Lehman Brothers is concerned about the continued suspension of the tin market, which has been closed since October 24 when the International Tin Council ran out of money with debts to LME brokers and to banks.

The company is understood to have outstanding tin contracts with Maclaine Watson which have fallen due during the suspension period. Shearson Lehman Brothers wants Maclaine Watson to pay interest on the outstanding money—Maclaine argues that since tin trading has been suspended by the LME it is not liable.

As a result Shearson Lehman Brothers has sent a solicitors' letter asking the LME board to declare that while the suspension of tin trading applies to business between brokers it should not apply to traders between brokers and clients.

The LME Board's position is understood to be that it does not want to interfere in broker-client matter.

The dispute does not help in the efforts to maintain a united front by the 13 LME brokers and 16 commercial banks which are owed money by the tin council.

Meanwhile, Japan yesterday presented a variation on the latest rescue proposals for the tin market which involve contributions from member governments, brokers and banks to a new company to take over the council's assets and liabilities. The Japanese proposed funding the government share by changing the status of the present Sixth International Tin Agreement, which has been provisional since it started in 1982, to making it definitive thereby committing members to contributing new funds, possibly £100m of Japanese contributions, but only £60m on others.

The figures compare with £200m demanded by the latest broker-banker rescue plan. However, Japan also proposed raising extra money through a tin import levy.

The conflict between tin producers and consumers surfaced again when Mr Sirman Widiatmo, head of the Indonesian delegation, condemned a comment earlier this week from Mr H. Onno Ruding, Dutch Finance Minister, that producers should contribute more to a settlement than consumers.

Chile's low cost copper puts the squeeze on competitors

Christopher Stobart on the continuing push to expand production capacity

IN 1982 Chile displaced the US as the world's largest producer of primary copper. Last year Chile's mine output of 1.28m tonnes exceeded US production by about 20 per cent. By the end of this decade, existing mines in Chile are likely to be producing 1.7m tonnes of copper a year, and new mines could lift the total to over 2m tonnes a year in the early 1990s. US copper mine production, in contrast, has fallen by 30 per cent from its peak in 1981, under the pressures of high production costs, stern environmental regulations and a strong dollar. Over the next five years US mine production will at best stagnate at just under 1m tonnes of copper a year.

More significantly, Chile is much the largest exporter of refined copper, and its largest export market is the US. Dominance in the world copper mining industry is therefore passing conclusively from the US to Chile.

The contrast between sustained growth in Chile and decline in the US, during a period of depressed copper prices since 1981, was a powerful influence behind the appeal by US copper producers in 1984 for protection against imports. That appeal was rejected by President Reagan but resentment still surfaces in the recurrent complaints from US copper companies that prices are depressed by excess supplies from third world producers who are alleged to be subsidised either by their governments or by international agencies such as the World Bank.

These accusations are wide of the mark in relation to Chile, whose expansion is founded not on subsidies but on high grade orebodies and low production costs. The major expansions are taking place within Codelco, the state-owned company which operates the four largest copper mines in Chile.

All four mines are comfortably profitable, even at a depressed copper price of around 65 cents a lb. The company sees no problem therefore in funding investment of $400m a year for several years, largely from cash flow and commercial bank loans. The investment is designed partly to offset the effect of falling ore grades at the two largest mines, and partly to increase output of mined and refined copper and reduce production costs still further.

At Chuquicamata, the open pit mine in the north of Chile which accounts for more than half Codelco's output, a 50 per cent increase in mine output will come on stream in 1988, to coincide with the completion of a new flash smelting furnace. The refinery will also be enlarged, so that the additional output can be sold in the form of refined copper. Sulphuric acid will be recovered from the enlarged smelting facilities (alleviating a serious pollution problem) and will be used to leach copper from waste dumps and low-grade sections of the orebody. The net effect of these investments will be to raise the mine's output by 300,000 tonnes to 550,000 tonnes of copper a year by 1989 (more than the entire output of Canada or Zambia); at least 700,000 tonnes will be marketed in the form of refined copper.

At El Teniente, the world's largest underground copper mine with an output of 340,000 tonnes of copper a year, additional mining and concentrating facilities came on stream at the end of 1985 and are already operating at above expected capacity. The expansion is likely to bring unit costs down below even those of Chuquicamata. Smelting capacity at El Teniente will also be enlarged and an ambitious new tailing disposal system will safeguard the mine's future for at least another 30 years.

The net effect of these and other investments will be to raise Codelco's mine production from 1m tonnes of copper in 1985 to about 1.36m in 1990. Even then its vast orebodies will have scope for expansion. Enami, the other state copper producer, operates no mines but smelts and refines the output of many of Chile's medium-sized and small mines. Smelting capacity rose by some 20,000 tonnes a year in 1984 to 170,000 tonnes and a further increase of 55,000 tonnes a year is planned by 1990. Refining capacity will rise at the same rate.

In the private sector of the Chilean mining industry, Mantos Blancos, now controlled by the South African Anglo American group, expanded its mine capacity by one-third in 1985 to 80,000 tonnes a year. Exxon's subsidiary, Disputada, will double the size of its El Soldado mine by 1987, to 60,000 tonnes of copper a year. El Indio, a gold mine operated by St Joe Minerals, plans to raise its by-product copper output by almost 70 per cent over the next five years. All these projects will reduce unit costs of production at mines which, with the exception of Disputada, are already profitable.

In addition to these expansions, Chile should see the development of two major new copper mines within the next five years. Rio Algom, the Canadian associate of Rio Tinto-Zinc, is close to finalising financing of $220m for the Cerro Colorado mine which will produce 60,000 tonnes a year from 1990. Finland's Outokumpu has a 25 per cent equity stake and will buy one third of the mine's output in the form of concentrates; West Germany will buy the remainder.

Within 18 months the financing of over $1bn for La Escondida should be complete. This huge, high-grade deposit, owned jointly by Australia's BHP through its Utah International subsidiary (60 per cent), RTZ (30 per cent) and a Japanese consortium (10 per cent) will be capable of producing 300,000 tonnes a year starting from mid-1990.

Chile's ability to finance or attract investment on this scale in copper mining suggests that the industry's crisis-ridden image worldwide is unduly influenced by the poor state of high-cost North American copper producers. Chile's new dominance is beginning to be felt in the copper market worldwide. For example, Codelco is anxious to see the tin crisis resolved, in order to remove uncertainty from the London Metal Exchange's copper market, but is likely to press for changes in the structure of the LME itself. Codelco is also taking a lead, with RTZ, in promoting end-use markets for copper, now under threat from other materials.

Finally, Chile has been responsible for recent advances in the technology of smelting and in hydro-metallurgy. These promise to continue the downward trend in production costs, which will put further pressure on less profitable competitors who cannot afford to invest in improved technology. More than ever before, Chile is the country that will influence the future shape of the copper industry.

Christopher Stobart is a director of Commodities Research Unit.

LONDON MARKETS

COFFEE PRICES dropped further yesterday on the London robusta futures market amid continuing uncertainty over the outcome of the International Coffee Organisation's talks on the future of its export control system. The March contract finished at £2,432.50 a tonne, down £20 from Monday's close. This was in line with lower New York values. Traders said the market remains extremely nervous, and many participants are staying on the sidelines at least until the export quota issue is resolved. Prices have now fallen by more than £550 since reaching their peak above £3,000 two weeks ago. One possible explanation for this is the huge amounts of coffee which producing countries exported between October and December, much of which will be arriving in the market about now. In other markets, gold closed at $352.75 an ounce, up $1.125 on the day but well down on the opening level, following firm trading sessions in New York and the Far East.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	791-2	−1.5	800/798.5
3 months	819-20	−2	832/817

Official closing (am): Cash 796-7 (775-7), three months 827-8 (806-7), settlement 797 (777). Final Kerb close: 821-22.

Turnover: 29,100 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or −	High/low
Cash	1015-6	+8	1011/1010.5
3 months	1044-.5	+9.5	1046/1036

Official closing (am): Cash 1011-.5 (1003-.5), three months 1039.5-40 (1030-1), settlement 1011.5 (1003.5). Final Kerb close: 1042-42.5.

Cathodes			
Cash	1000-5	+ 9.5	995
3 months	1032-5	+ 9	—

Official closing (am): Cash 995-6 (989-91), three months 1027-9 (1019-21), settlement 996 (991).
Turnover: 23,100 tonnes. US Producer prices 69.50-74 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	254-5	+2.5	255/254
3 months	265.5-6	+3	267/265

Official closing (am): Cash 253.75-4.25 (252.5-3), three months 265.5 (263-4), settlement 254.25 (253). Final Kerb close: 264-5.
Turnover: 7,475 tonnes. US Spot: 18-20 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	2785-9	+2	2780
3 months	2861-5	+9.5	2870/2840

Official closing (am): Cash 2775-6 (2775-80), three months 2840-5 (2825-30), settlement 2776 (2780). Final Kerb close: 2860-70.
Turnover: 1,004 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	451.5-2.5	+13	450.5/450
3 months	466-7	+13.25	467.5/458

Official closing (am): Cash 449-50 (434.5-5), three months 465.5-6 (440.5-50), settlement 450 (435). Final Kerb close: 463-4.
Turnover: 11,850 tonnes. US Prime Western: 32.50-35.75 cents per pound.

GOLD

Gold rose $1⅛ an ounce from Monday's close in the London bullion market yesterday to finish at $352½-353¼. The metal opened at $358½-359½ and traded between a high of $359½-360½ and a low of $351½-352½. Trading was rather uncertain, reflecting current oil price trends and volatility in the foreign exchange market.

GOLD BULLION (fine ounce)	Jan. 21	
Close	$352¼-353¼	(£249¼-250¼)
Opening	$358½-359½	(£252¾-253¾)
M'n'g fix	$356.60	(£252.033)
Aft'n'n fix	$356.60	(£252.300)

GOLD AND PLATINUM COINS		
Kr'g'rnd	$354¼-355	(£251-251½)
½ Krug.	$187¼-188¼	(£132¾-133¼)
¼ Krug.	$95¾-96½	(£67¾-68¼)
1/10 Krug.	$39¼-40	(£27¾-28¼)
Mapleleaf	$364-364¾	(£257¼-258½)
Angel	$360-362	(£255-256½)
1/10 Angel	$35-40	(£24¾-28¼)
New Sov.	$85¼-86	(£60½-61)
½ New Sov	$50¾-51½	(£36-36½)
Old Sov.	$91½-93	(£64¾-66)
$20 Eagle	$450-490	(£318¾-347¼)
Noble Plat	$385-389½	(£272¾-276)

SILVER

Silver was fixed 9.85p an ounce higher for spot delivery in the London bullion market yesterday at 436.95p. US cent equivalents of the fixing levels were: Spot 619.4c, up 9.85c; three-month 631.1c, up 10c; six-month 642.85c, up 10.4c; and 12-month 667.85c, up 10.2c. The metal opened at 440-442p (624-626c) and closed at 435-437p (615-617c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	436.95p	+9.85	433.5p	+3
3 months	450.70p	+10.4	447p	+3.25
6 months	464.20p	+10.5	—	—
12 months	491.60p	+11.4	—	—

LME—Turnover: 12 (22) lots of 10,000 ounces.

Three months high 450p, low 449.5p, final kerb 447-9p.

MEAT

Prices opened on a steadier note due to firmer physicals and rallied further on fresh buying and short-covering, reports Eastern Capital-CCST.
Sales: 41 (20) lots of 50 carcases, 3,250 kg.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Feb	102.90	102.30	102.70-102.50
April	103.10	102.60	—
June	101.00	100.20	100.70
Aug	99.60	98.70	—
Oct	105.00	104.60	105.00
Nov	105.60	105.50	105.50

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 94.21p per kg lw (−1.49). GB—Sheep 176.17p per kg est dcw (−16.18). GB—Pigs 72.47p per kg lw (−0.64).

INDICES

FINANCIAL TIMES

Jan. 21	Jan. 20	M'th ago	Year ago
[illegible]	[illegible]	[illegible]	298.94

(Base: July 1 1952=100)

REUTERS

Jan. 21	Jan. 20	M'th ago	Year ago
1849.5	1850.0	1775.9	1991.3

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Jan. 20	Jan. 17	Month ago	Year ago
Spot	133.25	133.43	[illegible]	122.57
Fut.	133.97	134.49	[illegible]	128.72

(Base: December 31 1931=100)
* Not available due to suspension of tin on LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Jan. 21 1986	+ or −	Month ago
METALS			
Aluminium	[illegible]		[illegible]
Free Mkt	$1090/120	+15	$1135-55
Copper			
Cash h Grade	£1015.5	+8	£975.25
3 mths	£1044.25	+9.5	£995
Cash Cathode	£1000.5	+9.5	£957.5
3 mths	£1032.5	+9	£988.25
Gold troy oz	$352.75	+1.125	$325
Lead cash	£254.5	+2.5	£264.75
3 mths	£265.75	+3	£276.12
Nickel	[illegible]		[illegible]
Free Mkt	175/190c		161/205c
Palladium oz	$106.00	+2.25	$94.25
Platinum oz	$374.40	+6.30	$336.00
Quicksilver†	$220/240		$250/260
Silver troy oz	436.95p	+9.85	404.90p
3 months	450.70p	+10.46	418.80p
Tin cash	‡		‡
3 months	‡		‡
Tungsten	$63.71		$69.74
Wolfram 22.81b	$53/61		$53/61
Zinc	£452	+13	£484.75
3 months	£466.5	+13.25	£490.25
Producers	$880/700		$880/700
OILS			
Coconut (Phil)	$380v	−5	$435
Palm Malayan	$330z		$410
SEEDS			
Copra Phil	$230v	+10	$260
Soyabean (U.S.)	$229v		‡
GRAINS			
Barley Fut. Mar.	£114.70	−0.45	£115.95
Maize	£141.00		£142.50
Wheat Fut. Mar.	£116.75	−0.60	£116.05
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1721.5	+2	£1777.5
Coffee Ft. Mar.	£2432.5	−20	£2756.5
Cotton A Index	58.60c		48.65c
Gas Oil Mar.	$168.25	−4.75	$234.25
Rubber (kilo)	59.5p	+0.25	57.0p
Sugar (raw)	$116.5v	−1	$128.5
Wooltops 64s	400p kilo		397p kilo

‡ Unquoted. † Per 75 lb flask. c Cents per pound. v Jan-Feb. z Feb.

COCOA

Futures again traded in a dull fashion. With sterling continuing to slide, prices closed on a steady note. Some industry and second-hand interest in actuals was apparent while origins remained sidelined, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
March	1717-1719	−1.5	1723-1710
May	1721-1722	+2.0	1727-1716
July	1748-1749	+6.0	1749-1748
Sept.	1772-1775	+6.5	1775-1767
Dec.	1786-1788	+6.0	1788-1779
March	1805-1808	+9.0	1802-1795
May	1820-1828	+10.5	1828

Sales: 2,278 (3,549) lots of 10 tonnes.

ICCO indicator prices (US cents a pound). Daily price for January 21: 103.39 (103.77); five-day average for Jan 22: 104.46 (104.87).

COFFEE

After opening about unchanged prices advanced gradually to trade £30 higher on commission house buying, reports Drexel Burnham Lambert. Gains were extended on the afternoon opening call but values declined during a more active afternoon on trade selling.

COFFEE	Yesterday's Close	+ or −	Business Done
Jan	2375-80	−57.5	2455-360
March	2430-35	−20.0	2495-405
May	2510-15	−35.5	2560-485
July	2785-90	−20.0	2642-555
Sept	2655-67	−21.5	2710-680
Nov	2740-60	−2.5	2775-740
Jan	2740-60	−90.0	—

Sales: 6,310 (9,139) lots of 5 tonnes.
ICO indicator prices (US cents per pound) for January 20: Comp daily 1979 198.16 (200.26); 15-day average 212.75 (212.44).

FREIGHT FUTURES

The market remained unchanged with no fresh news from the physical market. Easier bunker fuel was the only notable feature in an otherwise quiet day, reports Clarkson Wolff. The Baltic Freight Index was 904, down 3.5. The Baltic Tanker Index was 913, up 29.5.

	Close	High/Low	Prev.
Jan.	898/899	900/897	898/903
April	951/952	952/949	950/952
July	821/825	820.5/820	819/835
Oct.	915/919	919	916/917
Jan.	920/935	—	916/918
April	985/1000	—	988/993
July	840/875	—	840/880
Oct.	950/970	—	950/970

Turnover: 127 (64).

GRAINS

Old crop wheat continued to drift lower, reflecting a lacklustre physical market. Old crop barley also closed 50p lower, virtually untraded. New crop wheat saw some buying interest to close about steady, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or −	Yesterd'ys close	+ or −
Jan	114.50	−0.35	113.20	−0.50
Mar	116.75	−0.60	114.70	−0.45
May	120.35	−0.55	117.20	−0.50
July	122.80	−0.50	—	—
Sept	100.10	—	99.30	−0.20
Nov	103.10	—	102.60	−0.25

Business done—Wheat: Jan 114.50 only, March 117.25-6.75, May 120.75-20.35, July 122.90 only, Sept 100.10-99.95, Nov 103.10-3.00. Sales: 217 lots of 100 tonnes. Barley: Jan untraded, March 114.70 only, May and Sept untraded, Nov 102.65-2.60. Sales: 18 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Feb 137.25, Mar 138 sellers transhipment east coast. US no 2 soft red winter Feb 123.75, Mar 122.50 seller. EC French Jan 135.50 seller. English feed fob Feb 118.75/119.00 paid east coast, Jan 117, Feb 120 sellers, Mar 120.00/120.50, April/June 123.50/124.50 buyer/seller, Sept 102.50 buyer, Oct/Dec 106.50/107.25 buyer/seller, Jan/Mar 111.50 buyer. Maize: US no 3 yellow/French transhipment east coast Jan 141. Barley: English feed fob Feb 117, Mar 118, April/June 122 buyers, July/Aug 101 seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 111.40, S. West 111.60, N. West 110.40. The UK monetary coefficient for the week beginning Monday January 27 (based on HGCA calculations using five days' exchange rates) is expected to be unchanged.

JUTE

JUTE—Jan/Feb c and f Dundee BTC $450, BWC $460, BTD $415, BWD $425; c and f Antwerp BTC $430, BWC $440, BTD $390, BWD $400.

US MARKETS

PRECIOUS METALS traded erratically as early speculative buying encountered strong resistance from trade selling, and subsequently, values were on the defensive on commission house liquidation, reports Heinold Commodities. Copper and aluminium weakened on nervous selling linked to sterling weakness. Sugar recovered from early losses to close higher as good commercial support emerged. The lack of fresh cash interest continued to weaken coffee values. Cocoa remained under pressure as arbitrage selling continued to emerge. Cotton traded mixed as continued uncertainty over the 1986 loan programme discouraged interest. The energy complex failed to maintain early gains because of reports that Opec production is increasing. The grain complex came under pressure with wheat showing sharp losses on long liquidation in response to weak export demand. Forecasts of additional rains in Brazil and the lack of export demand led to sharp losses in Soyabeans.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Dec	374.4	[illegible]	375.0	376.7
Feb	379.2	385.5	379.0	381.5
June	388.4	394.7	389.0	390.7
August	401.0	401.0	401.0	395.8
Oct	404.0	405.0	404.0	400.9

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	369.8	376.5	372.0	372.8
March	371.8	—	—	374.8
April	373.5	382.0	373.0	376.5
July	376.2	384.0	376.5	378.2
Oct	378.7	387.0	380.0	382.0
Jan	381.3	386.5	386.5	384.8

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lb

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
March	317.6	324.4	317.0	325.0
May	286.2	291.4	285.6	290.2
July	267.2	269.4	267.0	268.6
Sept	268.2	270.4	268.2	268.6
Dec	278.6	279.6	277.6	279.0
March	283.2	283.4	283.2	284.0

SPOT PRICES—Chicago loose lard 15.50 (same) cents per pound. Handy and Harman silver bullion 612.0 (613.5) cents per troy ounce.

POTATOES

April opened 40p down in line with an easier physical market and lower Dutch quote, but the buying interest that was previously in evidence at these levels was again present and values quickly recovered. Throughout the afternoon the market was locked in a narrow trading range, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	80.00	80.00	80.00-79.50
Apr	93.10	93.00	95.50-92.60
May	99.20	99.10	99.30-99.20
Nov	77.30	76.70	78.00-77.50
Feb	84.50	82.00	84.50-83.50

Sales: 223 (826) lots of 40 tonnes.

SOYABEAN MEAL

The market opened £2.00 higher on renewed professional buying, reports T. G. Roddick. Prices remained steady on weaker sterling and good two-way trade.

	Yesterday close £ per tonne	+ or −	Business Done
Feb	135.0-135.5	+1.75	—
Apr	137.0-137.5	+2.65	137.5-137.0
June	134.7-135.6	+2.45	135.2-134.7
August	131.5-151.7	+1.80	152.5-151.5
October	132.5-133.5	+2.05	133.5
Dec.	133.8-135.0	+2.10	134.0
Feb.	135.0-136.0	+1.25	—

Sales: 902 (196) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $116.50 (£82.50), down $1.00 (unchanged) a tonne for Jan-Feb delivery. White sugar $160.00, down $1.50.

The market came under renewed pressure from long liquidation in the spot March position which fell to a new low for the move. Prices recovered later to close near the highs, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar	137.6-138.0	137.6-137.2	138.0-134.8
May	144.8-145.2	143.8-144.4	145.8-142.0
Aug	151.6-152.0	150.0-150.6	152.8-149.8
Oct	157.0-157.4	155.6-156.2	157.2-155.2

Sales: 2,157 (1,396) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £184.50 (£184.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for Jan 20: Daily price 4.45 (4.43); 15-day average 4.70 (4.72).

PARIS—(FFr per tonne): Mar 1211/1215, May 1250/1252, Aug 1305/1310, Oct 1345/1360, Dec 1380/1395, Mar 1445/1455.

OIL

After a brief recovery during the morning sweet crude prices continued their descent. Nymex opened 73c up for February but was trading over a dollar down by 1.30 pm EST.

European products prices firmed in the morning but began to fall off in the afternoon. Non-EEC gas oil was particularly volatile with deals done in a $13 per tonne range—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Feb.		
Arab Light	25.80-25.10	−0.50
Arab Heavy	23.00-23.10	−0.60
Dubai	21.80-21.95	−0.10
Brent Blend	19.75-19.85	−0.45
W.T.I. (1pm est)	20.00-20.10	−1.725
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	216-220	−9
Gas Oil	175-177	−3
Heavy fuel oil	111-113	−4.5
Naphtha	189-191	−5

Petroleum Argus estimates

Turnover: 6,848 (6,105) lots of 100 tonnes.

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or −	Business Done
Feb	173.00	−5.75	187.00-71.00
Mar	168.25	−4.75	184.25-66.00
Apr	164.25	−5.75	178.50-64.25
May	163.25	−4.00	176.00-63.00
June	162.00	−3.00	174.50-61.50
July	162.00	−3.00	172.00-62.00
Aug	162.00	−4.50	170.50-62.00
Sep	166.00	−6.00	166.00

CRUDE OIL FUTURES—Brent Blend Index ($ a barrel) (Close, change, business done): Index 20.95, −1.22. Feb 20.80-21.35, −0.475, 21.70-20.21; March 19.00-19.60, −1.05, 20.00-19.60; April 18.80-19.50, −0.60, 19.90; May 18.50-19.00; June 18.00-19.00.

Turnover: 63 (558) lots of 1,000

RUBBER

PHYSICALS—The London market opened unchanged, attracted no inquiries during the day and closed dull, reports Lewis and Peat. Closing prices (buyers): Spot 59.50p (59.25p), Feb 57.75p (58.25p), March 58.25p (58.75p). The Kuala Lumpur fob prices (Malaysia/Singapore cents) per kg RSS No 1 was 183.5 (184.0) and for SMR 20 180.0 (174.0).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound and dollar weak

Sterling fell to its lowest level since March last year, reflecting fears about lower oil prices. Early trading saw the pound fall to DM 3.4750 against the D-mark, a fall of over 2 pfennigs from Monday's close but the weaker trend was soon reversed as the Bank of England entered the market in an effort to avert a further rise in domestic interest rates.

This tended to stabilise the market briefly and sterling's exchange rate index recovered from an opening level of 76.6 to 76.8 at 10 am. During the afternoon however trading became very thin and extremely volatile and with the possibility of an oil price war after the next Opec meeting, sterling slipped away to finish at 76.2 on its index, the lowest closing level since March last year. Against the dollar it fell to $1.4065-1.4075, a drop of 85 points from Monday.

Against the D-mark *it fell to* a record low of DM 3.4575, down from DM 3.4975 on Monday and Y284.75 compared with Y286.50. Against the Swiss franc it slip*ped to* SFr 2.9325 *from* SFr 2.9675 and FFr 10.6075 from FFr 10.7175.

The dollar also suffered, having spent most of the morn*ing* confined to a narrow range. The market was still unable to make any positive move after an inconclusive outcome to the G5 meeting of finance ministers *over the weekend. The dollar's* bearish undertone therefore reasserted itself and with a few large selling orders appearing late in the day ahead of today's revised fourth quarter GNP figures, giving rise to fears of a downward revision, the dollar finished on a weak note at DM 2.4570 from DM 2.4710 and SFr 2.0840 from SFr 2.0970. It was also lower against the French franc at FFr 7.54 from FFr 7.5725 but improved slightly in terms of the yen to Y202.40 from Y202.35. On Bank of England figures, the dollar's exchange rate index fell to 125.9 from 126.2.

D-MARK — Trading range against the dollar in 1985-86 is 3.4510 to 2.4375. December average 2.5120. Exchange rate index 131.9 against 124.3 six months ago.

The D-mark was a little higher against the dollar in Frankfurt yesterday with the US unit finishing at DM 2.4515 from DM 2.4720. Interest *tended to centre on* sterling and its reaction to lower oil prices. Comments by Mrs Margaret Thatcher stressing the UK Governments intention to control inflation came too late to prevent sterling finishing at a record low against the D-mark.

JAPANESE YEN — Trading *range against the dollar in 1985-1986* is 263.15 to 199.65. December average 202.747. Exchange rate index 176.2 against 159.2 six months ago.

The yen improved against a weaker dollar in Tokyo yesterday. The US unit had been sold in Chicago in very thin trading *and closed in Tokyo* at Y202.20 down from Y202.95. Trading was a little subdued with a partial closure of US centres. There was also some uncertainty ahead of today's revised US GNP figures for the fourth quarter. Elsewhere the yen lost ground against the D-mark with the latter improving to Y82.38 from Y81.83.

£ IN NEW YORK

	Jan. 21	Prev. close
£ Spot	$1.4070-1.4080	Unavailable
1 month	0.63-0.60pm	"
3 months	1.79-1.75pm	"
12 months	5.95-5.80pm	"

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

Jan 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4040-1.4205	1.4065-1.4075	0.63-0.60c pm	5.25	1.79-1.74 pm	5.02
Canada	1.9806-1.9909	1.9832-1.9860	0.01c pm-par	0.03	0.02-0.01 pm	0.03
Nethlnd.	3.88½-3.93½	3.88½-3.89½	2¼-2⅛c pm	7.52	7⅛-6⅞ pm	7.33
Belgium	70.48-71.34	70.50-70.60	25-10c pm	2.98	60-40 pm	2.83
Denmark	12.69-12.79¼	12.69-12.70	5⅞-4⅞ore pm	4.84	15⅛-14⅛ pm	4.84
Ireland	1.1365-1.1480	1.1365-1.1375	0.10p pm-0.12dis	−0.11	0.22p-0.21d	−0.02
W. Ger.	1.45-3.49¾	3.45¼-3.46¼	2⅞-2⅝pf pm	9.11	7½-7 pm	8.39
Portugal	223-225¾	223¼-224¾	125-415c dis	−14.46	375-1165d	−13.75
Spain	216½-218½	216½-218¾	65-10c pm	2.08	100-15 pm	1.06
Italy	2352¼-2379½	2354-2356	3-10lira dis	−3.31	18-27 dis	−3.82
Norway	10.64¼-10.74	10.64¼-10.65¼	¾ore pm-¼ dis	−0.21	1½-¾ pm	0.32
France	10.58¼-10.71	10.60¼-10.61½	3¼-2¾c pm	3.68	3½-1½ pm	0.94
Sweden	10.73-10.83	10.73-10.74	¾ore pm-½ dis	−0.14	1½-¾ pm	0.33
Japan	284¾-287½	284¾-285¾	1.70-1.40y pm	6.53	4.60-4.30 pm	6.25
Austria	24.35-24.52	24.36-24.38	14½-12¾gro pm	6.56	39⅞-35⅞ pm	6.21
Switz.	2.92¾-2.96¼	2.92¾-2.93¾	2⅞-2⅝c pm	9.72	6⅞-6⅝ pm	8.95

Belgian rate is for convertible francs. Financial franc 71.50-71.60. Six-month forward dollar 3.42-3.37c pm. 12-month 6.00-5.85c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Jan 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4040-1.4205	1.4065-1.4075	0.63-0.60c pm	5.25	1.79-1.74 pm	5.02
Ireland†	1.2375-1.2437	1.2392-1.2402	0.65-0.45c pm	5.32	1.75-1.35 pm	5.00
Canada	1.4018-1.4057	1.4052-1.4057	0.25-0.28c dis	−2.27	0.71-0.76dis	−2.09
Nethlnd.	2.7505-2.7725	2.7645-2.7655	0.60-0.57c pm	2.54	1.67-1.64 pm	2.39
Belgium	50.00-50.30	50.10-50.20	10-12c dis	−2.63	30-34 dis	−2.55
Denmark	8.98½-9.03½	9.02-9.02½	par-½ore dis	−0.42	par-½ dis	−0.14
W. Ger.	2.4470-2.4615	2.4565-2.4575	0.79-0.74pf pm	3.73	2.13-2.08 pm	3.43
Portugal	158-158½	158-158½	150-350c dis	−18.95	400-950dis	−17.05
Spain	153.07-154.05	153.50-153.70	25-55c dis	−3.13	140-195 dis	−4.36
Italy	*1670-1677*	*1673-1674*	*12-13lire dis*	−8.96	*37-38 dis*	−8.96
Norway	7.55½-1.58	7.56½-1.57	3-3½ore dis	−4.94	8⅞-9⅞ dis	−4.75
France	7.50¾-1.55¼	7.53¾-7.54¾	0.90-1.20c dis	−1.67	7.25-8.00dis	−4.04
Sweden	7.61½-1.64½	7.62½-7.63¼	3½-3¾ore dis	−5.21	8½-8⅞ dis	−4.55
Japan	201.95-202.60	202.35-202.45	0.21-0.18y pm	1.16	0.68-0.64 pm	1.30
Austria	17.20½-17.30½	17.26-17.28	2½-1½gro pm	1.30	6⅝-4⅝ pm	1.27
Switz.	2.0770-2.0870	2.0835-2.0845	0.78-0.73c pm	4.35	2.10-2.05 pm	3.98

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 50.80-50.90.

CURRENCY MOVEMENTS

Jan. 17	Bank of England Index	Morgan Guaranty Change %
Sterling	77.9	−13.3
U.S. dollar	125.9	+15.5
Canadian dollar	80.5	−11.6
Austrian schilling	122.3	+5.4
Belgian franc	93.1	−9.2
Danish Kroner	83.4	−2.5
Deutsche mark	131.6	+12.2
Swiss franc	150.5	+11.6
Guilder	121.2	+7.3
French franc	70.1	−11.2
Lire	45.3	−19.5
Yen	176.2	+28.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

OTHER CURRENCIES

Jan 21	£	$
Arg'tina	1.1304-1.1327	0.8000-0.8010
Aus'alia	2.0220-2.0260	1.4265-1.4275
Brazil	15,106-15,197	11,400-11,466
Finland	7.6860-7.6985	5.4400-5.4480
Greece	210.46-214.70	148.40-151.50
H'kong	11.0300-11.0400	7.8090-7.8110
Iran	120.80*	84.30*
Kuwait	0.4085-0.4095	0.28880-0.28900
Lux'burg	70.50-70.60	50.10-50.20
Malay'as	3.4750-3.4850	2.4610-2.4630
N'Z'land	2.7400-2.7500	1.9325-1.9380
Saudi Ar.	5.1505-5.1560	3.6504-3.6508
Sin'pore	3.0090-3.0190	2.1305-2.1325
S.Af.(Cm)	3.2130-3.2200	2.2780-2.2960
S.Af.(Fn)	4.0885-4.2105	2.8985-2.9850
U.A.E.	5.1815-5.1670	3.6725-3.6735

*Selling rate

...† Correction January 17): HK-£ rate was 11.2260-11.2660.

EXCHANGE CROSS RATES

Jan 21	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.407	3.458	284.8	10.61	2.933	3.890	2355.	1.985	70.55
$	0.711	1.	2.457	202.4	7.540	2.084	2.766	1674.	1.411	50.15
DM	0.289	0.407	1.	82.36	3.068	0.848	1.125	681.0	0.574	20.40
YEN	3.512	4.941	12.14	1000.	37.25	10.30	13.66	8269.	6.970	247.8
F Fr.	0.943	1.326	3.259	268.4	10.	2.765	3.667	2220.	1.871	66.51
S Fr.	0.341	0.480	1.179	97.10	3.617	1.	1.327	802.9	0.677	24.06
H Fl.	0.257	0.362	0.889	73.20	2.727	0.754	1.	605.3	0.510	18.14
Lira	0.425	0.598	1.468	120.9	4.505	1.245	1.652	1000.	0.843	29.96
C $	0.504	0.709	1.742	143.5	5.345	1.478	1.960	1186.	1.	35.55
B Fr.	1.417	1.994	4.901	403.6	15.04	4.157	5.514	3337.	2.813	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

CURRENCY RATES

Jan. 21	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.773248	0.626127
U.S.$	7½	1.09260	0.885970
Canadian $	10.21	*	1.24564
Austria Sch.	4	18.8921	15.3184
Belgian Fr.	9¾	54.8649	44.4767
Danish Kr.	7	9.86072	7.96709
D'mark	4	2.68785	2.17771
Guilder	5	3.02650	2.45296
French Fr.	9¼	N/A	6.68154
Lira	15½	N/A	1483.75
Yen	5	220.994	179.320
Norway Kr.	8	N/A	6.71964
Span'h Pta.	—	167.771	136.041
Swedish Kr.	9½	8.34858	6.76188
Swiss Fr.	4	2.27593	1.84554
Greek Dr'ch	20½	164.218	132.763
Irish Punt	—	N/A	0.714760

*CS/SDR rate for January 20: N/A.

EURO-CURRENCY INTEREST RATES

Jan. 20	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	11¾-11⅞	12¼-12⅝	13¼-13⅜	13⅛-13⅜	13⅛-13⅜	13⅛-13⅜
U.S. Dollar	7¾-8	7¾-8	8-8⅛	8-8⅛	8⅛-8¼	8¼-8⅜
Can. Dollar	9¼-10¼	9¾-10¼	10-10¼	10-10¼	10⅛-10⅜	10¼-10⅝
D Guilder	5⅜-5⅞	5¾-5⅞	5⅝-5¾	5⅝-5¾	5⅝-5¾	5⅝-5¾
Sw. Franc	1⅛-1⅜	1⅜-1⅝	4-4¼	4-4⅛	4-4⅛	4⅛-4¼
Deutschmark	4⅛-4⅜	4⅜-4⅝	4⅜-4½	4½-4⅝	4⅝-4¾	4⅝-4¾
Fr. Franc	8¾-9⅞	9⅜-9⅝	9⅝-9⅞	10⅛-10⅜	10⅜-10⅝	11⅛-11⅜
Italian Lira	12-14½	14-14½	16-17	16½-17½	15¾-16⅞	15¾-16½
B.Fr.(Fin.)	9¼-10¼	9¾-10	9⅞-10	9⅞-10⅛	9¾-9⅞	9¾-9⅞
B.Fr.(Con.)	9¾-10¼	10-10¼	10⅛-11	10½-11	10-10¼	10-10¼
Yen	7¼-7¾	7¼-7⅛	6¾-6⅞	6¾-6⅞	6⅜-6½	6⅜-6½
D. Krone	8⅜-8¾	8⅜-8⅝	8½-8⅝	8½-8⅝	8⅝-8¾	8¾-9
Asian $ (Sing)	8⅛-8¼	8⅛-8¼	8⅛-8¼	8⅛-8¼	8¼-8⅜	8⅜-8½

Long-term Eurodollars: two years 8⅝-9 per cent; three years 9-9⅜ per cent; four years 9¼-9⅝ per cent; five years 9⅜-9¾ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.4767	−0.79	+1.03	±1.5425
Danish Krone	8.12857	7.96709	−1.74	−0.08	±1.6421
German D-mark	2.23840	2.17771	−2.71	−0.89	±1.0981
French Franc	6.86402	6.68154	−2.66	−0.84	±1.3654
Dutch Guilder	2.52208	2.45296	−2.74	−0.92	±1.5162
Irish Punt	0.724578	0.714760	−1.35	+0.47	±1.6673
Italian Lira	1520.60	1483.75	−2.42	−1.53	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

Nerves tighten in London

The London money market was extremely nervous yesterday, and although the Bank of England could claim to have kept dealing rates virtually unchanged, dealers continued to fear another rise in bank base rates, because of the weakness of sterling. It was suggested that some market operators showed signs of panic, offering paper at slightly higher rates to the Bank of England, although these bills could have been sold at existing rates. Dealers also fear that another rise of 1 per cent or 1½ per cent in base rates will leave little ammunition to the authorities if sterling comes under further pressure after the February meeting of Opec ministers. Market liquidity will be increased today by up to £500m through the second part of a repurchase agreement with the banks, on gilts and other Government backed paper, at a rate of 12½ per cent.

UK clearing banks base lending rate 12½ per cent since January 9

Three-month interbank touched a peak of 13⅛-13⅜ per cent, and closed at 13⅛-13⅛ per cent, unchanged *from Monday*. Discount houses buying rates for three-month bank bills rose to 12 per cent from 12⅜ per cent.

The Bank of England initially forecast a market shortage of £500m, but changed this to £650m at noon, and provided total help of £695m.

In the early round of assistance the authorities bought £515m bills outright, by way of £1m bank bills in band 1 at 12⅜ per cent; £1m Treasury bills in band 2 at 12⅛ per cent; £284m bank bills in band 2 at 12⅛-12⅜ per cent; £9m Treasury bills in band 3 at 12⅜ per cent; £15m local authority bills in band 3 at 12⅜ per cent; £176m bank bills in band 3 at 12⅜-12⅜ per cent; and £37m Treasury bills in band 4 at 12⅛ per cent.

Another £180m bills were purchased outright before lunch, through £10m bank bills in band 2 at 12⅛ per cent; £36m Treasury bills in band 4 at 12⅛ per cent; £16m local authority bills in band 4 at 12⅛ per cent; and £118m bank bills in band 4 at *12⅛-12⅜ per cent.*

No further assistance was given in the afternoon.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £280m, with Exchequer transactions absorbing £390m. These outweighed a fall in the note circulation adding £75m to liquidity, and bank balances above target by £5m.

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9-9¼
Fed funds	7⅞
Fed funds at intervention	—
One month	6.94
Treasury Bills & Bonds	
Two month	7.08
Three month	7.26
Six month	7.32
One year	7.76
Two year	7.77
Three year	8.27
Four year	8.48
Five year	8.64
Seven year	9.04
10 year	9.21
30 year	9.39

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 21)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/16	offer 8 3/16	bid 8 1/16	offer 8 5/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Jan. 21	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	5-13	11⅞-12⅜	13-13⅛	13⅛-13⅛	13⅛-13⅜	13⅛-13⅜
Sterling CDs	—	—	12⅞-13	13-13⅛	13⅛-13⅛	13⅛-13⅜
Local Authority Deposits	11-11⅝	12⅝-12⅜	13	13¼	—	—
Local Authority bonds	—	—	—	—	—	13⅞
Discount Mkt Depos.	4-11¼	11⅞	12⅝	—	—	—
Company Depos.	9-12¼	12⅛-12⅝	13⅛	13⅛	13¼	—
Finance House Depos.	—	—	13	13⅛	—	—
Treasury Bills (Buy)	—	—	12⅛	12	—	—
Bank Bills (Buy)	—	—	13	13	12⅛-12⅜	—
Fine Trade Bills (Buy)	—	—	13¼	13	—	—
Dollar CDs	—	—	8.00-8.10	8.05-8.10	8.00-8.10	8.15-8.20
SDR Linked Depos.	—	—	7⅝-8⅛	8¼-8⅜	8¼-8⅜	8¼-8⅜
ECU Depos.	—	—	9⅛-9¼	9⅛-9¼	9⅛-9¼	9⅛-9¼

Treasury Bills (sell): one-month 12⅛ per cent; three-months 12⅛ per cent. Bank Bills (sell): one-month 12⅛-12⅜ per cent; three-months 12⅛-12⅜ per cent. Treasury Bills: Average tender rate of discount 12.1937 per cent. ECGD Fixed Finance Scheme IV reference date December 4 to January 7 (inclusive): 11.838 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from January 1 1986. Bank Deposit Rates for sums at seven days' notice 8¼-8⅜ per cent. Certificates of Tax Deposits (Series 6). Deposits £100,000 and over held under one month 12 per cent; one-three months 12⅛ per cent; three-six months 12⅛ per cent; six-nine months 12⅛ per cent; nine-12 months 12⅛ per cent. Under £100,000 11⅛ per cent from January 14. Deposits held under Series 5 11⅛ per cent. Deposits withdrawn for cash 7⅛ per cent.

MONEY RATES

Jan. 21	Ov'r-night	One Month	Two Months	Three Months	Six Months	Lombard Int'vention
Frankfurt	4.5-4.6	4.60-4.75	4.50-4.65	4.55-4.70	4.55-4.70	5.5
Paris	8¾	8⅝-8¾	8⅝-9	—	9-9⅛	8¾
Zurich	1-1½	3⅞-4⅛	—	4-4⅛	4⅛-4¼	—
Amsterdam	5¾	5⅝-5¾	—	5⅝-5¾	—	—
Tokyo	6.78125	7.03125	—	—	—	—
Milan	14½	15⅛-15⅜	—	14⅛-15⅛	—	—
Brussels	9.50	9.90	—	9¾-9⅞	—	—
Dublin	8.8¼	10¾-10⅞	11½-11⅝	11⅛-12⅛	12-12⅜	—

FINANCIAL FUTURES

Stronger tone

Unchanged money market dealing rates from the Bank of *England gave the three-month* sterling deposit contract a boost on the London International Financial Futures Exchange yesterday. Short sterling for March delivery opened at the day's low of 86.22, but soon recovered on good buying interest. Although dealers suggested that present *levels may* not be sustainable, unless the British authorities can prevent another upward move in bank base rates, the market took heart from news that in an early round of help for the money market the central bank had only adjusted its buying rates marginally, and that base rates would not rise yesterday.

After rising to a peak of 86.82 the contract fell back, as the pound came under renewed pressure on the *foreign* exchanges, losing over ¾ cent against the dollar and falling sharply to a record low in terms of the D-mark.

March three-month sterling deposits closed at 86.53, well down from the day's high, but still above the previous settlement of 86.34.

The reply to a parliamentary question by Mrs Margaret Thatcher, the Prime Minister, giving top priority to inflation but *suggesting* that the Government does not want to see another rise in interest rates, came too late to influence the market.

Long-term gilt futures also opened at the day's low, at 106-27 from March delivery and finished higher on the day, at 107-18, compared with 107-00 previously, showing similar reaction to the short sterling contract.

US Treasury bond futures *improved, following* good demand in the cash market, and a more optimistic tone to trading. The market will await with interest today's revised figure on fourth quarter US Gross National Product growth. The March contract opened at 83-10 and after touching 84-06, *finished at 83-27, compared with* 82-28 on Monday.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4070	1.4009	1.3894	1.3731	1.3478

IMM—STERLING $s per £

	Latest	High	Low	Prev
March	1.4025	1.4075	1.4015	1.4010
June	1.3835	1.3900	1.3835	1.3830
Sept	1.3700	1.3760	1.3700	1.3680
Dec	1.3600	1.3600	1.3600	1.3550

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.3992	1.4065	1.3998	1.4057
June	1.3822	1.3890	1.3860	1.3885
Sept	1.3670	—	—	1.3735

Est volume 133 (70)
Previous day's open int 1,927 (1,940)

LIFFE—DEUTSCHE MARKS D M125,000 $ per DM

	Close	High	Low	Prev
March	0.4100	0.4080	0.4085	0.4088
June	0.4136	—	—	0.4104

Est volume 12 (18)
Previous day's open int 194 (182)

STERLING INDEX

	Jan 21	Previous
8.30 am	76.6	77.6
9.00 am	76.6	77.6
10.00 am	76.8	77.6
11.00 am	76.6	77.5
Noon	76.5	77.4
1.00 pm	76.5	77.4
2.00 pm	76.5	77.3
3.00 pm	76.5	77.0
4.00 pm	76.2	76.9

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	107-18	108-00	106-27	107-00
June	108-14	108-14	108-01	107-17
Sept	108-13	—	—	107-27

Est volume 7,456 (6,058)
Previous day's open int 6,857 (6,355)
Basis quote (clean cash price of 13¾% Treasury 2004/08 less equivalent price of near futures contract) −4 to +6 (32nds)

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
March	94-22	94-27	93-60	93-60
June	94-32	—	—	94-38

Est volume 711 (917)
Previous day's open int 1,143 (1,065)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
March	86.53	86.82	86.22	86.34
June	87.10	87.37	86.98	87.00
Sept	87.67	88.00	87.68	87.60
Dec	88.00	88.18	87.98	87.90
March	88.08	88.28	88.03	88.02

Est volume 8,056 (7,466)
Previous day's open int 8,957 (9,553)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
March	139.40	139.40	137.60	138.45
June	140.50	—	—	139.95

Est volume 497 (312)
Previous day's open int 1,984 (1,945)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	91.97	92.00	91.92	91.95
June	91.89	91.83	91.74	91.69
Sept	91.57	91.57	91.52	91.46
Dec	91.31	91.30	91.28	91.20
March	91.05	—	—	90.95
June	90.84	—	—	90.73
Sept	90.61	—	—	90.50

Est volume 3,756 (2,736)
Previous day's open int 20,863 (20,086)

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last March	June	Sept	Vol	Puts—Last March	June	Sept	Vol
90.00	1.97	1.81	—	—	0.00	0.01	—	—
90.50	1.47	1.34	1.27	—	0.00	0.04	0.20	—
91.00	0.98	0.90	0.90	—	0.01	0.10	0.33	—
91.50	0.52	0.54	0.59	—	0.05	0.24	0.52	25
92.00	0.19	0.26	0.35	15	0.22	0.46	0.78	—
92.50	0.03	0.10	0.18	—	0.56	0.80	1.11	—
93.00	0.00	0.03	0.08	—	1.03	1.23	1.51	—

Previous day's open interest: Calls 7,917, Puts 7,789

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last Feb	Mar	April	June	Sept	Puts—Last Feb	Mar	April	June	Sept
1.20	—	21.02	—	21.02	—	—	0.00	—	0.28	—
1.25	—	16.02	—	16.02	—	—	0.00	—	0.73	—
1.30	—	11.02	—	11.02	11.02	—	0.03	—	1.68	2.59
1.35	6.02	6.02	6.14	6.57	6.27	0.26	0.09	1.71	3.35	4.57
1.40	2.15	2.80	3.27	4.04	3.96	1.63	2.88	3.84	5.62	7.28
1.45	0.46	1.03	1.49	2.20	2.38	4.92	6.11	7.06	9.08	10.68
1.50	0.05	0.29	0.57	1.20	1.33	8.52	10.37	11.14	12.98	14.63

Estimated volume total: Calls 143, Puts 311
Previous day's open interest: Calls 7,917, Puts 7,889

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Feb	Mar	April	June	Sept	Puts—Last Feb	Mar	April	June	Sept
1.20	—	21.90	—	22.00	—	—	0.20	—	0.25	—
1.25	—	17.00	—	17.00	17.00	—	0.25	—	0.75	1.50
1.30	—	12.00	—	12.00	12.00	—	0.40	—	1.60	2.80
1.35	6.90	7.00	7.20	7.70	8.20	0.40	1.00	1.70	3.10	4.80
1.40	2.65	3.50	3.90	4.60	5.50	1.35	2.70	3.60	5.20	7.00
1.45	0.70	1.30	1.90	2.60	3.50	4.50	5.60	6.50	8.20	10.10
1.50	0.20	0.35	0.75	1.40	2.00	8.00	9.65	10.50	12.00	13.80

Previous day's open int: Calls 6,307, Puts 5,443
Volume: 317

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Feb	Mar	April	June	Sept	Puts—Last Feb	Mar	April	June	Sept
1.20	—	—	—	—	—	—	0.10	—	—	—
1.25	—	—	—	—	—	—	—	—	—	—
1.30	—	—	—	—	—	—	—	—	1.45	—
1.35	—	—	—	—	—	0.30	0.85	1.55	3.00	—
1.40	2.60	—	—	—	4.25	1.60	2.70	3.45	5.30	—
1.45	0.50	1.10	—	2.30	—	5.00	—	—	—	—
1.50	0.10	0.40	—	1.30	—	—	—	—	—	—

Previous day's open int: Calls 59,599, Puts 47,296
Volume (midday): Calls 2,619, Puts 1,037

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	83-27	84-06	83-10	82-28
June	82-22	83-18	82-18	81-24

Est volume 8,710 (3,591)
Previous day's open int 3,909 (4,166)

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	83-28	84-06	83-18	83-17
June	82-20	83-03	82-12	82-12
Sept	81-20	81-30	81-14	81-12
Dec	80-22	81-01	80-17	80-15
March	79-27	80-08	79-24	79-22
June	79-04	79-14	79-01	78-31
Sept	—	—	—	78-11
Dec	—	—	—	77-26
March	—	—	—	77-11
June	—	—	—	76-30

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	93.08	93.10	93.03	93.00
June	92.89	92.92	92.88	92.81
Sept	92.67	92.70	92.64	92.59
Dec	92.42	92.44	92.42	92.35
March	92.16	92.18	92.15	92.11
June	91.94	91.94	91.94	91.88
Sept	91.70	91.70	—	91.66
Dec	—	—	—	91.48

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	92.26	92.28	92.26	92.22
June	—	—	—	92.03
Sept	—	—	—	91.78
Dec	—	—	—	91.53

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	91.98	92.01	91.92	91.91
June	91.79	91.82	91.75	91.72
Sept	91.54	91.57	91.50	91.47
Dec	91.27	91.30	91.24	91.21
March	91.00	91.03	90.97	90.96
June	90.74	90.77	90.70	90.69
Sept	90.50	90.50	90.45	90.45
Dec	90.26	90.31	90.24	90.23

LONDON SHARE SERVICE

BRITISH FUNDS

1985/86 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101	99	Exch. 11¾pc '86	99	....	11.76	12.65
99	96¼	Treas. 10pcCnv 1986	99½	....	10.06	12.70
97	92¼	Treas 3pc 1986	97	....	3.08	11.47
100	97	Exch. 10½pc 1986	99	+	10.59	13.03
101	99	Treas 12pc 1986	99	....	12.09	12.89
98	94	Treas 8¾pc 1984-86‡‡	98	+	8.66	12.68
105	100	Exch. 14pc 1986	100	+	13.90	12.88
95	87	Exch. 2½pc 1986	95	–	2.62	8.35
104	100	Exch. 13¼pc 1987	100½	–	13.18	12.70
99	96	Treas 10¼pc Cv '87	97¼	+	10.49	12.64
93	85½	Exch 2½pc 1987	93	–	2.68	9.04
100	96	Exch. 10½pc 1987	97	+	10.75	12.57
95	89	Funding 6½pc '85-87‡‡	93	–	6.92	11.80
99	95½	Treas. 10pc 1987	96	....	10.32	12.44
92	84	Treas 3pc 1987	91	+	3.28	9.40
102	99	Treas. 12pc 1987	99	+	12.05	12.23
95	90	Treas 7¾pc 1985-88‡‡	93	+	8.32	11.69
100	95	Exch 10½pc '88	96	+	10.83	12.05
98	93	Treas 9¾pc Cv '88	95	+	10.23	12.04
87	80	Transport 3pc '78-88	86	+	3.46	9.19
97	91½	Treas. 9½pc '88	94	+	10.09	12.04
102	97½	Treas 11½pc 1989	98	+	11.52	12.00
97	90	Treas 9½pc Cnv. '89	93	+	10.19	12.05
84	79	Treas 3pc 1989	82	+	3.63	9.15
97	94	Treas 10½pc 1989	96	+	10.93	11.93
98	92	Exch 10pc 1989	94	+	10.60	12.05
101	95	Exch 11pc 1989	97	+	11.32	11.94
86	79	Treas 5pc 1986-89	84	+	5.89	9.94
99	95	Exch 10½pc Cv '89	95	+	10.77	11.83
108	103	Treas 13pc 1990‡‡	103	+	12.55	11.85
101	96	Exch 11pc 1990‡‡	97	+	11.29	11.87
108	100	Exch. 12½pc 1990	102	+	12.24	11.83
81	75	Treas. 3pc 1990	79	+	3.76	8.72
93	87	Treas 8¼pc 1987-90‡‡	89	+	9.29	11.38
101	91	Treas. 10pcCv 1990	93	+	10.72	11.90
—	—	Exch 2½pc 1990	£77	.	3.25	8.38
108	97	Treas 11¾pc 1991	99	+	11.78	11.81
		Five to Fifteen Years				
87	80	Funding 5¾pc '87-91‡‡	85	+	6.90	9.94
105	95	Exch. 11pc 1991	99	+	11.41	11.85
113	101	Treas 12¾pc 1992‡‡	103	+	12.27	11.83
100	88	Treas 10pc 1992	92	+	10.79	11.75
104	94	Treas 10½pc Cv 1992‡‡	96	+	11.10	11.74
110	98	Exch. 12¼pc '92	100	+	12.02	11.86
117	105	Exch 13½pc 1992	111	+	12.59	11.88
113	101	Treas 12½pc 1993‡‡	104	+	12.04	11.72
83	74	Funding 6pc 1993‡‡	81	+	7.61	10.01
121	109	Treas 13¾pc 1993‡‡	112	+	12.52	11.77
125	111	Treas 14½pc 1994‡‡	120	+	12.64	11.65
119	108	Exch 13½pc 1994	112	+	12.41	11.77
113	100	Exch. 12½pc 1994	103	+	12.00	11.73
95	86	Treas 9pc 1994‡‡	89	+	10.30	11.29

Over Fifteen Years

Undated

Index-Linked

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INDUSTRIALS—Continued

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O.F.S.

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Tins

Miscellaneous

120	48	♥Colby Res Corp	65		—	—	—
550	175	Cons. Murch 10c	300xd		ta90b½d	3.9	‡
40	24	♥Emess Int 1/10p	28		—	—	—
123	70	Greenwich Res	73	−5	—	—	—
215	115	♥Hampton Areas 10p	135	−5	3.75	0.9	3.7
260	135	♥Highwood Res	180	+5	—	—	—
£22½	£15¼	Homestake Mining $1	£18⅞		Q20c	—	0.7
310	155	♥McFinley Red Lake	220	−10	—	—	—
335	195	♥Musto Explorations	230	−10	—	—	—
55	23	♥New Sabina Res C$1	40	−2	—	—	—
375	195	Northgate C$1	250	+5	—	—	—
685	507	RTZ	547	−8	†20.0	2.8	5.2
£145½	£114½	Do 9½pcLn '95-2000	£122½	−½	Q9½%	14.0	7.8
980	800	♥Tara Expln $1	836	+11	—	—	—

NOTES

Unless otherwise indicated prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ◦ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▌ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ◆◆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend; cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment; Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. R Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	100	−1	Fin 13% 97/02	£103⅞	−¼
Craig & Rose £1	850		Arnotts	230	
Finlay Pkg 5p	45		CPI Hldgs	57	
Holt (Jos) 25p	720		Carrol Inds	147xd	
IoM Stm. £1	55	−5	Dublin Gas	55	−15
			Hall (R & H)	58	
IRISH			Helton Hldgs	25	
Fund 11¾% 1988	£97½	−¼	Irish Ropes	47	
Nat 9¾% 84/89	£92⅞xd	−¼	Unidare	128	

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
Dec 9	Dec 19	Dec 20	Jan 6
Dec 23	Jan 9	Jan 10	Jan 20
Jan 13	Jan 23	Jan 24	Feb 3

* "New-time" dealings may take place from 9.30 am two business days earlier.

Equities rebound from low early levels to close higher

A continuation of the pressures for dearer money sent leading stocks lower throughout the morning trade yesterday. Shortly after midday, the FT Ordinary Share Index was down 9.4 more with investors paying little heed to an early Bank of England signal that it was not ready to accept a fresh increase in bank base rates. Sterling moved down again, despite official intervention, in nervous foreign exchange markets, although North Sea oil prices were attempting to rally from Monday's low levels.

An interest rate-sensitive equity market appeared to be vulnerable. Business was thin and the trend was not responding to a better tone which had developed in the Gilt-edged market. However, a later further recovery in crude oil prices prompted sporadic bear-closing. Soon afterwards it was reported that US investors were seeking selected blue chip stocks, including Beecham, Glaxo and Reuters.

From that moment on a change of direction ensued which continued after the official 3.30 pm close to leave the FT Index a net 2.6 up on the day at 1108.7. The FT-SE 100 Share ended a mere 0.2 off at 1378.1, after 1366.1. A resumption of the recent dull trend on Wall Street in the early business failed to check the later improvement here.

Gilt-edged securities opened nervously with traders expecting an extension of Monday's sharp setback. Investors appeared convinced initially that only a marked rise in base rates could clear the scene but a sudden influx of buying altered these opinions. The demand, which was thought to represent mainly the closing of professional short positions, found the market oversold. Longer-dated stocks soon regained early falls of ½ and thereafter improved steadily to close with gains ranging to ⅝.

Shorter maturities recouped early losses of ¼ to end that much higher on balance, while index-linked stocks performed similarly. More settled money market rates, three-months interbank rose to 13 1/16 per cent before settling unaltered at 13⅛ per cent, were a help, but the course of sterling continued to cause anxious moments.

Clearers down again

Quietly dull conditions prevailed among the major clearing banks. Scrappy selling in an unwilling market left **Lloyds** 10 down at 468p. **Barclays** and **Midland** both closed 8 cheaper at 450p and 432p respectively. **NatWest** ended 5 off at 697p, after 693.

Sellers again held sway in Insurances. Composites closed above the day's lowest levels. **Royals** sustained a fall of 10 at 785p, after 780p. **General Accident** finished the same amount down at 715p. Among Life issues, falls of between 10 and 14 were seen in **Sun Life**, 788p, **Legal and General**, 697p, and **Prudential**, 758p.

The **Really Useful Group** staged a highly satisfactory debut given the surrounding uncertainty. The shares, offered at a minimum tender price of 320p with a striking price of 330p, opened at 335p and advanced steadily to 340p; dealers reported a relatively small number of public sales which were easily absorbed.

Distillers eased a couple of pence to 560p in relatively subdued trading as investors examined the possibility of the counter-bid from **Guinness** incurring a Monopolies Commission reference. Guinness fell 3 more to 287p; the shares-and-cash offer for Distillers is now worth just under 600p per share. Original bidder **Argyll** dipped 5 more to 350p. **Matthew Clark** advanced 20 to 425p in response to the increased interim profits and dividend.

Against the trend in a dull Building sector, **Rugby Portland Cement** attracted further speculative support amid vague rumours of a bid from **Tarmac** and gained a penny more to 152p, after 153p; the latter settled 6 cheaper at 358p. Dearer money worries continued to unsettle other leading issues. **Blue Circle** lost 6 to 580p and **Redland** gave up 5 to 355p, while **BPB Industries** slipped 4 to 333p. **Barratt Developments** remained on offer and shed 4 more to 116p, while **George Wimpey**, a firm market recently on US demand, encountered profit-taking and fell 6 to 138p. **Alexander Russell** provided an isolated bright feature, rising 8 to 144p following speculative buying in a restricted market.

ICI were dominated by sterling/US dollar influences and edged up 6 to 752p. **Amersham International** continued to trade firmly and rose 5 to 320p.

Sears wanted

Leading Retailers highlighted **Sears** which attracted a lively speculative business and advanced 5 to 112p; Dee Corporation, Bats and Gerald Ronson were all mentioned as possible suitors. Other Stores, dull in early trading reflecting continuing worries over dearer money trends, took heart from the Bank of England's intervention and closed a few pence firmer on balance. **Burton** rallied 5 to 505p, while recently-beleaguered **Harris Queensway**, down to 202p at one stage, settled a couple of pence dearer at 206p. Secondary Stores mirrored the leaders in most cases, although fresh offerings depressed **Freemans** and **Grattan** which fell 6 apiece to the common level of 314p. **Lee Cooper**, still buoyed by talk of an imminent deal, closed 7 up at 170p.

Plessey attracted buyers in the wake of the decision to refer GEC's unwelcome bid to the Monopolies Commission and the shares closed 6 higher at 172p; **GEC** were unaltered at the overnight level of 166p. Other Electrical majors drifted lower for want of support. **Racal** lost 4 at 176p, after 174p, **Thorn EMI** a few pence to 389p and **British Telecom** 2 to 181p. Secondary issues were featured by **LPA Industries** which jumped 12 to 100p in response to the impressive annual results and proposed 20 per cent scrip issue. **Highland Electronics** revived with a speculative rise of 7 at 97p and **Atlantic Computers** firmed 5 to 245p, after 250p following the chairman's bullish remarks concerning trading prospects.

GKN moved up 7 to 278p in belated response to press mention, while **Vickers**, reflecting nationalisation compensation hopes, put on 10 to 318p; the latter's preliminary figures are expected next month. Outside of the Engineering leaders, **Wadkin** advanced to 170p before closing 15 up on balance at 156p following news of a bid approach.

Thomas Robinson closed 14 to the good at 178p on reports of a broker's circular, while a flurry of speculative demand left **Cronite** 8 higher at 67p, after 71p. **Hampson Industries**, reflecting the increased interim dividend and profits, gained 1½ to 27½p, but **Westland** continued to drift lower and closed a couple of pence cheaper at 91p.

Dearer money worries continued to unsettle Food Retailers. **J. Sainsbury** were particularly vulnerable and dipped 12 to 344p, while **Tesco** shed 5 to 270p. **Dee Corporation** fell to 220p amid rumours that the company may launch a bid for Sears. FII support left the close unchanged at 230p. Elsewhere, Ireland's **FII** gained 6 to 143p in reply to the good annual results and acquisition news.

Further consideration of the company's expansion moves prompted fresh support for **Midsummer Inns** which rose 15 to 300p. **Ryan Hotels** added a penny to 34p following newsletter comment, but profit-taking clipped 6 from **Kennedy Brookes** at 230p.

Metal Box lower

Among the miscellaneous industrial leaders, **Metal Box** encountered further profit-taking and gave up 14 more to 569p, while **Trafalgar House**, a member of the rejected Channel tunnel Euroroute consortium, remained depressed and fell 8 further to 312p, after 310p. **Beecham**, in contrast, helped by US support and a revival of speculative buying, put on 10 to 330p, while **Glaxo**, partly reflecting currency influences, improved ¼ to £15½. Elsewhere, **Bowater** dropped 11 to 270p following news of the proposed acquisition of Startex Corporation of the US. Worries about the future of Goldcrest prompted dullness in **Pearson**, down 9 at 411p, after 408p. **Evode** gave up 6 to 111p after comment on the interim figures, while profit-taking after the preliminary results left **Appledore** 15 down at 290p. **Reuters** responded to US buying with a gain of 10 at 385p. Occasional support lifted **Avon Rubber** 8 to 283p, while **Longton Industries** rose 15 to 150p on land development hopes.

First Leisure Corporation were marked up to 432p on the impressive annual results and proposed 25 per cent scrip-issue before closing a couple of pence dearer on balance at 430p. **Media Technology**, however, a firm market of late, succumbed to profit-taking and fell 12 to 200p.

Unlisted Securities Market counter **KLP** provided an isolated firm feature in Paper/printings, rising 25 to 310p, after 315p, on buying ahead of tomorrow's preliminary results.

Secondary issues provided the noteworthy movements in the Property sector. **Frogmore Estates** attracted speculative buying interest and gained 8 to 180p, after 185p, but **Regalian** encountered profit-taking and shed 15 to 325p.

Textiles, selectively supported of late, closed with modest losses for choice. **Scottish English and European** dipped 6 to 148p in reaction to the interim profits setback, while profit-taking left recent speculative favourites **S. Jerome**, 7 off at 65p, and **Parkland**, "A" 3 cheaper at 112p. A rare firm spot was provided by **John Beales** which hardened 4 for a two-day improvement of 12 to 110p; the preliminary figures are expected tomorrow.

Tobaccos returned to favour. **Imps**, down to 248p initially, attracted support following talk of an increased offer from current protagonists **Hanson Trust** and finished a net 8 to the good at 257p; the offer reaches its first closing date on Friday.

BP below best

Leading oils remained highly sensitive to movements in international crude oil prices, which, after opening lower rallied strongly before turning off again in response to developments in US markets. Top quality oils mirrored this performance; trading around 543p during initial dealings, **BP** jumped to 558p during the early afternoon prior to settling a net 10 to the good at 553p. **Shell** were finally unchanged on balance at 660p after extremes of 653p and 668p. **Enterprise Oil** proved a resilient market and retained a gain of 5 at 136p, after touching a year's low of 130p, following encouraging drilling report from the North Sea. Second-line stocks, especially those with US exploration interests, came under renewed selling pressure and were featured by **Firstland Oil and Gas**, which dropped 10 to 40p, and **Exploration Company of Louisiana**, 5 down at 40p. **Jackson Exploration** fell away to 26p before rallying strongly on exploration hopes to end a net 4 up at 32p.

Golds move ahead

A resumption of the recent upward trend in precious metals prices after a two-day pause encouraged a minor rally in gold and related sectors of mining markets.

South African Golds moved higher at the outset as the firmer trend in bullion produced strong Johannesburg and Continental buying interest. This continued for much of the session before a flurry of profit-taking from US operators took prices off their best levels towards the close. The Gold Mines index responded with a 2.3 improvement to 341.8.

The best performances in Golds came from the leaders where gains in excess of a point were common to **Randfontein**, £65, and **Southvaal**, £29.

The almost doubled profits, in Rand terms, and the sharply increased dividend failed to inspire platinum producer **Rustenburg** which held at 650p.

A cut in domestic interest rates, the firmer trend in bullion and a decline in sterling against the Australian dollar prompted a general upturn in "down-under" stocks. Among the leaders **Peko-Wallsend** advanced 14 to 280p, **MIM** and **CRA** 6 apiece to 156p and 292p respectively.

Traded Options

Increased demand for Traded Options resulted in 18,550 contracts transacted, comprising 11,986 calls and 6,594 puts. **British Petroleum** were to the fore with 1,470 calls done, over half of which were struck in the January 550's. Operators also displayed revived interest in **Imperial Group** and **Beecham** which attracted 1,402 and 966 calls respectively. For the second successive session, put business centred on **British Telecom** with 1,297 trades done. Elsewhere, the FT-SE 100 contributed 786 calls and 1,503 puts.

FINANCIAL TIMES STOCK INDICES

	Jan. 21	Jan. 20	Jan. 17	Jan. 16	Jan. 15	Jan. 14	Year ago
Government Secs	80.56	80.39	81.28	81.32	80.98	80.61	80.80
Fixed Interest	86.71	86.58	87.10	87.11	86.54	86.70	84.14
Ordinary ♦	1108.7	1106.1	1118.7	1113.2	1105.6	1094.3	1094.5
Gold Mines	341.8	339.5	345.0	345.0	311.6	308.8	463.0
Ord. Div. Yield	4.47	4.48	4.44	4.45	4.46	4.52	4.22
Earnings, Yld. % (full)	10.94	10.97	10.88	10.91	10.95	11.07	10.56
P/E Ratio (net) (*)	11.34	11.31	11.41	11.38	11.36	11.21	11.38
Total bargains (Est.)	23,657	23,112	24,129	23,275	24,163	26,443	23,329
Equity turnover £m.	—	476.7	572.2	505.13	391.79	380.14	597.99
Equity bargains	—	22,926	21,160	22,244	19,946	21,562	24,240
Shares traded (ml)	—	212.0	257.2	234.0	196.4	245.5	297.3

♦ 10 am 1098.6. 11 am 1098.2. Noon 1097.0. 1 pm 1098.2. 2 pm 1099.1. 3 pm 1102.1. 4 pm 1105.6. Day's High 1108.7. Day's Low 1096.7. Basis 100 Government Securities 15/10/26. Fixed Interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest Index 01-246 8026. * Nil = 10.33.

HIGHS AND LOWS

	1985/86 High	1985/86 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57	78.02	127.4	49.18
Fixed Int.	90.96	85.17	150.4	50.53
Ordinary	1149.6	911.0	1149.6	49.4
Gold Mines	556.9	317.8	734.7	43.5

S.E. ACTIVITY

INDICES	Jan. 20	Jan. 17
Daily		
Gilt Edged Bargains	152.5	138.7
Equities Bargains	148.5	137.1
Value	963.5	1196.5
5-day average		
Gilt Edged Bargains	154.0	151.4
Equities Bargains	139.7	139.3
Value	996.9	958.9

TRADITIONAL OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Jan 6	Jan 17	Apr 10	Apr 21
Jan 20	Jan 31	Apr 24	May 6
Feb 3	Feb 14	May 8	May 19

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Premier Oil, Lonrho, Abaco Investments, Newman Industries, McCorquodale, South-west Resources, Norfolk Capital, Entertainment Production Services, Foward Technology, Vosper, Good Relations, Clive Discount and Sears. Puts were done in Hawley and Sunleigh Electronics.

NEW HIGHS AND LOWS FOR 1985/86

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	92	8	9
Corpns. Dom. and Foreign Bonds	11	38	33
Industrial	173	483	836
Fin. and Props.	62	198	310
Oils	20	43	62
Plantations	6	1	11
Mines	60	30	92
Others	65	73	84
Totals	489	884	1,437

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price p	+or−	Net Div.	Times covered	Gross Yield	P/E Ratio
180	F.P.	15/1	230	195	Abbott Mead Vickers	218	−2	bg2.8	3.5	1.8	22.4
135	F.P.	9/1	196	174	Ashley (Laura) 5p	177	−3	bg1.88	3.1	1.5	28.2
587	300	7/3	310	285	Cable & Wireless 50p	285	−1	F9.5	2.9	4.8	8.1
§58	F.P.	23/1	70	64	✠Chancery Securities	64	−1	bg2.2	2.5	4.9	9.9
§85	F.P.	10/1	88	86	✠Chart. Foulks Lynch	88	...	bg3.0	1.9	4.9	15.4
120	F.P.	24/1	130	120	Chetwynd Streets 5p	125	+5	b2.11	3.5	6.7	10.8
§95	F.P.	17/1	100	96	✠Cranswick Mill 10p	96	...	bg5.37	2.2	7.9	8.5
§74	F.P.	8/1	85	71	✠Crusts 5p	75	...	bg0.7	9.8	1.3	8.1
§10	F.P.	—	15	14	Ferguson (James)	14½	...	0.0	0.0	0.0	—
§56	F.P.	31/1	65	59½	✠Granyte Surface 10p	60	−1	b2.1	2.5	5.0	10.9
§75	F.P.	—	80	73	Intl. Bus. Comms 10p	74	...	H2.2	—	4.3	—
—	F.P.	—	175	100	Intl. Inv. Tst. J'rsy wts	162	...	—	—	—	—
§120	F.P.	10/1	125	118	✠Jacques Vert 10p	118	...	bg5.5	1.9	6.7	11.0
115	F.P.	7/2	126	110	Lexicon Inc. $0.01	112	−1	uQ3.46	3.9	2.0	12.7
115	F.P.	31/1	127	122	Merivale Moore 5p	122	−2	b2.5	4.0	2.9	12.8
§77	F.P.	10/1	87	78	✠Monks & Crane 10p	87	...	bg2.7	2.7	4.4	12.4
§90	F.P.	22/1	104	92	✠Norank Systems 5p	92	−1	bg3.0	2.4	4.6	12.1
¶330	F.P.	—	340	335	Really Useful Grp. 5p	340	...	b11.25	2.2	4.7	14.0
100	F.P.	9/1	119	106	SAC Intnl. 10p	118	...	b1.5	3.8	1.8	20.5
§101	F.P.	14/2	107	91	✠Sigmex Intl.	91	−2	uo53	19.5	0.8	8.0
§57	F.P.	6/1	74	65	✠SterlingPublish'g 5p	75	...	b2.0	1.9	3.9	17.8
¶¶	F.P.	—	300	277	Storehouse 10p	300	+5	u5.7	2.5	2.7	18.6
§90	F.P.	—	103	67	✠WYorks.Ind.Hos.5p	67	−5	b4.0	1.8	7.8	9.8

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price £	+or−
97.203	£25	4/4	24⅝	20¼	Allied Lon. Props. 10⅞% 1st Mort. Deb. 2025	20¼	−⅛
**	F.P.	17/1	101	100	Brit. Assets 6½% Uns. Ln. 1995	101	...
§98.797	F.P.	31/1	98½	96	Ests. & Agency 11¼% 1st Mort. Db. 2020	96½	
§99.745	£25	11/4	24⅞	24	First Scot. Am. 11½% Deb. 2016	24	
£12*	F.P.	—	112½p	87p	Intl. Inv. Tst. Jersey 13% Cum. Red. Pf	93p	+2
100	£10	30/5	10½	10	Mid Sussex Wtr. 8¼% Red. Pref. 1996	10½	...
—	F.P.	—	99½	98¾	Nationwide Bldg. Soc. 12% 19/1/87	98¾	−⅛
§99.515	£40	26/2	40¾	36	Rosehaugh Greycoat 11⅝% 1st Mt Db 2014	36	−⅛
§99.706	£40	28/2	40¼	36¼	T. T. Finance 11¼% Gtd. Deb. 2016	37	−½

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price p	+or−
110	F.P.	25/2	121	112	Barham Group 31½p	118	−2
82	Nil	11/2	18pm	14pm	Cannon St. Invs. 20p	14pm	−2
9.60	Nil	7/2	23pm	17pm	Chemring Cnv. Pfd. Ord. 5p	18pm	−2
170	Nil	7/2	140pm	100pm	East Rand Prop	135pm	−5
38	Nil	21/2	23pm	17pm	Goal Petroleum 5p	19pm	...
245	Nil	21/2	49pm	27pm	Hogg Robinson	34pm	−6
16	Nil	12/2	7½pm	4pm	Inmac 10p	7½pm	+½
120	Nil	28/1	123	95	Ind. Scot. Energy £1	95	...
280	F.P.	31/1	296	280	Lowell (Y.J.)	[illegible]	
475	F.P.	31/1	550	510	Mountleigh	540	−5
365	Nil	7/3	35pm	28pm	Peel Hldgs.	35pm	+8
160	F.P.	25/2	172	161	Smith Bros.	161	...
200	Nil	7/3	31pm	21pm	Stonegard 10p	21pm	−1
2	Nil	17/2	28pm	24pm	Tattes United	[illegible]	
73	Nil	18/3	14pm	9pm	Triplex	9pm	...
52	Nil	25/2	39pm	28pm	Unigroup 10p	28pm	...

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. t Indicated dividend: cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ▮ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). * Units comprising 12 preference shares and one warrant, at £12 per unit. †† Units comprising two ordinary, one preference and one warrant.

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Monday's close	Day's change
Distillers	31	562	−5
Channel Tunnel	24	152	+20
Reuters B	17	375	+2
Argyll Group	16	355	−15
Trafalgar Hse.	15	320	−19
Plessey	13	166	−2
RTZ	12	555	−5
BAT Inds	11	333	−2
Cable and Wire	11	580	—
GEC	11	166	−2
Prudential	11	772	−13
Rugby Cement	11	151	+1

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change
Bowater Inds	270	−11
Burmah Oil	304	+4
Argyll Group	350	−5
Enterprise Oil	136	+5
Imperial Group	257	+8
Land Securities	280	+1
MEPC	278	−2
Metal Box	569	−14
Sears	112	+5
Shell Transport	660	—
Vickers	318	+10
Wadkin	156	+16

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Tues Jan 21 1986 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon Jan 20 Index No.	Fri Jan 17 Index No.	Thurs Jan 16 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	568.97	−0.7	10.07	4.04	12.46	0.08	573.11	576.46	573.16	577.15
2	Building Materials (24)	617.92	−1.2	10.66	4.39	11.75	0.00	625.17	627.64	622.22	515.62
3	Contracting, Construction (28)	916.80	−1.2	10.82	4.59	13.04	0.69	927.97	930.30	921.15	755.07
4	Electricals (13)	1575.91	−0.2	9.27	4.81	14.06	0.00	1578.28	1585.24	1565.62	1701.64
5	Electronics (39)	1421.71	−0.3	10.50	3.20	12.48	0.00	1426.68	1437.02	1421.97	1927.75
6	Mechanical Engineering (63)	317.69	−0.9	10.99	4.60	11.06	0.13	320.57	322.04	321.09	298.18
8	Metals and Metal Forming (7)	252.71	−0.6	8.72	6.47	14.00	0.00	254.21	256.29	254.95	181.46
9	Motors (18)	212.45	+0.3	11.27	4.31	10.80	0.00	211.82	211.93	210.66	162.98
10	Other Industrial Materials (22)	993.49	−1.0	7.68	3.60	15.53	0.07	1004.00	1014.74	1019.88	921.67
21	CONSUMER GROUP (183)	744.73	—	8.94	3.73	14.02	0.37	744.41	754.07	752.32	652.30
22	Brewers and Distillers (23)	769.74	−0.3	9.89	4.01	12.93	0.05	771.89	787.86	778.20	593.54
25	Food Manufacturing (22)	555.10	−0.5	10.83	4.55	11.95	0.96	558.04	563.11	559.97	506.98
26	Food Retailing (14)	1629.03	−1.5	7.19	2.79	18.78	2.92	1654.07	1678.64	1700.31	1502.07
27	Health and Household Products (9)	1196.78	+1.5	6.38	2.74	18.39	0.02	1178.67	1184.41	1183.69	1088.57
29	Leisure (25)	741.03	−0.9	7.55	4.63	16.88	0.50	747.67	751.76	749.40	719.49
32	Publishing & Printing (13)	1860.98	−0.6	8.62	4.89	14.38	2.36	1872.06	1864.45	1846.79	1608.79
33	Packaging and Paper (15)	364.31	−1.6	9.41	4.37	12.60	0.00	370.40	373.22	368.01	317.47
34	Stores (43)	714.00	+0.1	7.47	3.03	18.10	0.01	712.99	727.98	727.18	571.63
35	Textiles (16)	380.20	−0.3	11.67	4.52	9.72	0.00	381.53	383.55	379.42	324.99
36	Tobaccos (3)	940.73	+2.0	14.30	4.93	7.93	0.00	922.36	933.31	938.48	959.34
41	OTHER GROUPS (84)	696.16	−0.6	9.84	4.16	13.33	0.02	700.54	707.06	705.72	603.21
42	Chemicals (19)	738.84	+0.4	13.57	5.24	9.74	0.08	736.05	735.97	736.58	805.04
44	Office Equipment (4)	206.86	−0.9	7.70	4.25	15.49	0.00	208.82	212.26	212.68	175.23
45	Shipping and Transport (12)	1326.97	−1.0	7.71	4.37	16.06	0.00	1340.69	1346.42	1337.83	1118.36
47	Telephone Networks (2)	845.68	−1.1	9.74	3.88	14.07	0.00	855.16	864.58	863.25	862.01
48	Miscellaneous (47)	874.88	−0.5	7.82	3.68	15.62	0.00	878.36	891.30	887.96	809.51
49	INDUSTRIAL GROUP (481)	694.03	−0.3	9.44	3.91	13.43	0.20	696.23	703.38	701.22	650.33
51	Oil & Gas (19)	1115.67	+0.9	18.51	7.84	6.41	0.00	1105.26	1116.00	1132.31	1126.16
59	500 SHARE INDEX (500)	730.19	−0.2	10.53	4.38	11.88	0.19	731.41	738.88	738.15	690.38
61	FINANCIAL GROUP (119)	511.43	−1.1	—	4.73	—	0.03	517.10	523.33	518.28	449.73
62	Banks (7)	529.39	−1.5	17.44	5.92	8.18	0.00	537.54	544.64	531.31	452.06
65	Insurance (Life) (9)	767.87	−1.5	—	4.43	—	0.00	779.19	790.94	788.56	605.98
66	Insurance (Composite) (7)	409.88	−1.2	—	4.79	—	0.00	415.06	419.42	418.23	322.26
67	Insurance (Brokers) (8)	1189.29	−1.1	7.11	3.60	18.77	0.95	1203.06	1220.42	1187.87	1110.02
68	Merchant Banks (11)	281.85	−0.6	—	3.70	—	0.00	283.63	283.08	280.44	246.11
69	Property (51)	638.56	−0.4	6.19	3.86	21.63	0.00	641.29	651.27	654.59	632.66
70	Other Financial (26)	289.70	−0.4	8.28	4.57	14.50	0.04	290.75	291.85	290.57	290.95
71	Investment Trusts (103)	635.94	−0.4	—	3.38	—	0.27	638.62	640.99	639.77	607.73
81	Mining Finance (3)	258.34	−0.8	12.95	6.01	8.98	0.00	260.31	262.27	265.69	296.09
91	Overseas Traders (14)	602.39	−1.0	13.89	6.65	8.51	0.00	608.48	608.31	606.99	687.15
99	ALL-SHARE INDEX (739)	667.34	−0.3	—	4.43	—	0.15	669.63	676.38	674.85	627.28

	Index No.	Day's Change	Day's High	Day's Low	Jan 20	Jan 17	Jan 16	Jan 15	Jan 14	Year ago
FT-SE 100 SHARE INDEX	1378.1	−0.2	1378.3	1366.1	1378.3	1396.0	1394.5	1390.5	1370.1	1305.7

FIXED INTEREST

	PRICE INDICES	Tues Jan 21	Day's change %	Mon Jan 20	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	116.46	+0.14	116.29	—	0.94
2	5-15 years	126.44	+0.45	125.87	—	0.88
3	Over 15 years	132.60	+0.27	132.25	—	0.41
4	Irredeemables	145.98	−0.37	146.53	—	0.00
5	All stocks	125.66	+0.30	125.29	—	0.83
	Index-Linked					
6	5 years	106.79	+0.23	106.54	—	0.00
7	Over 5 years	104.91	+0.16	104.74	—	0.34
8	All stocks	105.25	+0.18	105.07	—	0.28
9	Debentures & Loans	108.25	−0.86	109.19	—	0.11
10	Preference	81.06	—	81.06	—	0.14

	AVERAGE GROSS REDEMPTION YIELDS		Tues Jan 21	Mon Jan 20	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.17	10.26	10.97
2		15 years	10.61	10.65	10.81
3		25 years	10.61	10.65	10.38
4	Medium Coupons	5 years	11.02	11.09	11.59
5		15 years	11.10	11.15	11.23
6		25 years	10.72	10.74	10.66
7	High Coupons	5 years	12.01	12.07	11.72
8		15 years	11.26	11.32	11.39
9		25 years	10.80	10.81	10.71
10	Irredeemables†		10.33	10.29	10.18
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	5.05	5.13	0.0
12	Inflat'n rate 5%	Over 5 yrs	4.08	4.01	0.0
13	Inflat'n rate 10%	5 yrs	3.98	4.06	0.0
14	Inflat'n rate 10%	Over 5 yrs	3.83	3.84	0.0
15	Debs & Loans	5 years	12.28	12.55	12.09
16		15 years	11.84	11.72	12.02
17		25 years	11.83	11.63	11.94
18	Preference†		12.08	12.08	12.81

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$300	—	—	5	68	—	—	$357.30
GOLD C	$320	8	39 B	22	48 B	—	—	"
GOLD C	$340	64	20.50	21	30 B	106	38	"
GOLD C	$360	299	9.50	27	19	117	27	"
GOLD C	$380	252	4.50	92	10.50	25	17.50 B	"
GOLD C	$400	5	1.80	—	—	106	10.20	"
GOLD P	$300	—	—	50	0.60	—	—	"
GOLD P	$320	20	0.70	40	3.50	40	4.20	"
GOLD P	$340	147	3.20	45	6.10	—	—	"
GOLD P	$360	32	9	8	14.60	—	—	"
		Mar.		Jun.		Sept.		
£/FR C	Fr.390	—	—	100	5.50	—	—	Fr.390.82
£/FR C	Fr.410	5	0.70	—	—	2	1.60	"
£/FR P	Fr.385	28	5	—	—	—	—	"
£/FR P	Fr.390	20	7.50	2	16.70	—	—	"
£/FR P	Fr.400	23	15	6	22.50	—	—	"
£/FR P	Fr.415	—	—	10	35	—	—	
$/FL C	Fl.265	25	12	—	—	—	—	Fl.276.20
$/FL C	Fl.270	10	8.20	—	—	—	—	"
$/FL C	Fl.285	15	1.80	5	4	—	—	"
$/FL C	Fl.300	2	0.50	14	1.40	—	—	"
$/FL P	Fl.270	78	3	5	6.50	—	—	"
$/FL P	Fl.275	23	5 B	—	—	30	11.90	"
$/FL P	Fl.280	11	8	—	—	5	14.50	"
$/FL P	Fl.285	1	11.20 B	182	15.50	—	—	"
		Apr.		July		Oct.		
ABN C	Fl.620	219	20	31	35	—	—	Fl.595
ABN P	Fl.560	103	10 A	23	16	—	—	
AEGN C	Fl.105	192	14 B	—	—	—	—	Fl.115.50
AEGN P	Fl.115	12	6	—	—	400	10.50	
AH C	Fl.88	141	6.50	537	8.60	—	—	Fl.84
AH P	Fl.85	1	5.50 B	100	7.50	305	8.50	
AKZO C	Fl.170	1168	9.50	468	12.10	139	16	Fl.157.80
AKZO P	Fl.150	757	2.10	168	4.80	2	6.80	
AMEV C	Fl.100	307	2.70	70	3.90	25	6.30	Fr. 91.70
AMEV P	Fl.90	237	3.20 B	5	5.80	12	6.50	
AMRO C	Fl.120	447	6.30	158	8	13	9.50	Fl.116
AMRO P	Fl.315	55	6.50	—	—	326	9	
GIST C	Fl.280	103	28	6	28	5	38	Fl.290.50
GIST P	Fl.290	21	15	—	—	55	22	"
HEIN C	Fl.220	53	17.50	30	20.50	—	—	Fl.229
HEIN P	Fl.230	18	9.10	2	11.50	105	15	
HOOG C	Fl.80	320	4.70	164	6.80	49	9	Fl.87
HOOG P	Fl.80	165	2	21	3.70	—	—	
KLM C	Fl.60	922	6	234	8.30	20	9.80	Fl.60.70
KLM P	Fl.60	501	5.90	12	5.50	157	7	
NEDL C	Fl.210	538	10.60	13	14 A	2	17.50	Fl.206
NEDL P	Fl.310	135	11.50	16	20.50	50	24	
NATN C	Fl.70	356	14.50	—	—	—	—	Fl.83
NATN P	Fl.85	90	6.70	10	7	1022	7.60	"
PETR C	Fr.7000	6	150	—	—	—	—	Fr.6300
PETR P	Fr.6500	20	300	—	—	—	—	"
PHIL C	Fl.60	1211	6.90	656	7.90	132	9.70	Fl.63.60
PHIL P	Fl.60	211	2.20	90	5.60	831	4.50	"
RD C	Fl.180	996	3.80	1077	5.50	22	7.80	Fl.173.50
RD P	Fl.170	1518	5.20	185	9.50	86	10.80	"
ROBE C	Fl.82.50	—	—	30	5.70	—	—	Fl.84.70
ROBE P	Fl.80	10	1.50	—	—	—	—	"
UNIL C	Fl.420	113	13.10	—	—	—	—	Fl.401.50
UNIL P	Fl.420	56	17	1	24	185	32	"

TOTAL VOLUME IN CONTRACTS: 52,837

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
B.P. (*556)	500	58	70	80	1	9	14
	550	8	32	45	3	37	42
	600	½	10	16	47	68	70
Cable & Wire (*568)	550	25	47	67	2	17	23
	600	1	15	28	37	40	47
	650	⅛	7	15	87	87	90
Cons. Gold (*476)	460	24	45	72	2	27	32
	500	1	23	42	25	50	56
	550	1	12	22	75	80	82
Courtaulds (*195)	140	54	58	62	¼	1	1½
	160	34	38	42	¼	2½	5
	180	13	26	28	¼	5	8
	200	1	11	14	8	12	14
Com. Union (*237)	200	38	44	—	¼	1½	—
	220	18	27	35	¼	7	10
	240	1½	14	21	5	15	19
	260	¼	8	14	25	32	34
Distillers (*560)	460	101	115	120	¼	½	1
	500	61	78	82	1	2	7
	550	11	37	47	4	13	20
	600	—	17	22	—	45	50
G.E.C. (*164)	140	26	36	—	1	3	—
	160	6	20	26	1	7	9
	180	1	9	16	18	20	22
	200	½	5	—	38	38	—
Grand Met. (*375)	330	46	52	63	1	4	7
	360	17	37	47	1	13	17
	390	1	18	30	17	27	27
	420	1	6	13	47	52	57
I.C.I. (*752)	650	107	114	120	¼	6	10
	700	57	65	72	½	15	22
	750	8	35	42	4	33	40
	800	1	16	23	52	77	82
Land Sec. (*280)	260	21	—	—	1½	—	—
	280	5	19	27	3	8	12
	300	1	10	17	22	22	26
	330	½	4	6	53	52	52
Marks & Sp. (*169)	130	40	47	—	¼	1½	—
	140	30	37	—	¼	2	—
	160	10	18	25	¼	7	8
	180	1	8	11	15	17	19
Shell Trans. (*663)	600	66	80	90	1	11	16
	650	18	42	55	2	23	32
	700	1	18	26	37	52	55
Traf'gar Hse (*312)	300	—	34	42	—	12	13
	330	1	18	23	21	25	29
	360	½	10	11	50	60	63

Option		Calls Mar.	Calls June	Calls Sept.	Puts Mar.	Puts June	Puts Sept.
BTR (*361)	330	40	55	65	6	7	10
	360	20	35	45	17	22	27
	390	11	22	27	37	42	45
Beecham (*328)	280	63	68	—	3	5	—
	300	48	53	60	6	13	18
	330	27	35	45	17	23	30
	360	11	22	27	37	40	45
Bass (*635)	600	65	86	100	9	12	27
	650	25	45	70	33	35	45
	700	10	25	35	70	75	80
De Beers (*$6.17)	500	125	140	155	5	18	33
	550	80	100	120	20	37	45
	600	50	65	88	46	60	65
	650	23	38	55	80	90	90
GKN (*278)	240	45	50	59	3	6	8
	260	29	40	47	5	10	13
	280	14	19	31	12	18	21
Glaxo (*1560)	1350	245	266	—	4	15	—
	1400	200	220	—	8	25	—
	1450	155	185	—	18	37	—
	1500	120	145	180	30	56	66
	1550	95	125	150	55	85	95
	1600	60	90	—	95	110	—
Hanson (*193)	180	21	28	35	4	6½	9
	200	9	16	28	13	16	18
	220	4	8	—	28	30	—

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
BAT Inds (*338)	280	62	72	80	1	3½	6
	300	43	55	62	2	8	12
	330	16	28	37	6	17	22
Barclays (*449)	420	42	52	65	5	15	18
	460	14	27	40	22	32	37
	500	5	12	25	55	62	67
Brit. Aero (*430)	390	50	57	—	1	6	—
	420	22	45	52	7	16	22
	460	9	31	30	38	40	45
	500	1	9	13	73	75	77
Brt Telecom (*181)	160	24	—	—	1	—	—
	180	7	17	22	3½	7	11
	200	2	7	13	20	20	21
	220	½	2	7	40	40	41
Imperial Gr. (*257)	220	41	44	47	1½	5	6
	240	22	28	33	4	7	9
	260	14	18	24	15	15	17
	280	5	10	14	30	31	32
LASMO (*183)	180	13	20	27	8	15	20
	200	7	13	20	25	30	30
	220	3	8	12	42	45	47
	240	2	6	9	63	63	65
Lonrho (*218)	180	41	43	46	1⅛	3	5¼
	200	22	29	35	3½	8	11
	220	10	20	22	8½	17	22
	240	4⅛	11	14	25	27	33
P. & O. (*430)	360	80	—	—	1	—	—
	390	50	62	—	2	5	—
	420	25	40	52	7	17	22
	460	6	18	30	33	38	42
Racal (*176)	140	38	44	50	2	5	7
	160	22	26	36	5	9	12
	180	7	15	22	14	18	22
	200	2	—	—	28	—	—
R.T.Z. (*549)	500	60	72	84	4	14	18
	550	20	40	50	22	30	42
	600	6	19	—	57	67	—
Vaal Reefs (*$78)	70	10½	15	17	3¼	8½	11
	80	4¼	8¼	12	8	12	16
	90	2	—	—	16⅛	—	—
Ex 10% 1989 (*£96)	94	1¼	—	—	¼	—	—
	96	⅜	—	—	1⅛	—	—
	98	⅛	—	—	3⅜	—	—
Tr. 11¾% 1991 (*£100)	100	—	1⅞	1⅞	—	⅞	1⅞
	102	—	⅞	⅞	—	2¼	2½
	104	—	⅜	⅝	—	4¼	4½
Tr. 11¾% 03/07 (*£105)	106	1	2⅛	3⅛	1	1⅞	1⅞
	108	⅛	1	2⅛	2⅛	2¾	2⅞
	110	⅛	⅝	1⅛	4⅛	4¼	4¼
	112	⅛	⅜	½	6¼	6¼	6¼
	114	⅛	⅛	⅛	8¼	8¼	8¼
Jaguar (*352)	240	119	—	—	½	—	—
	260	99	102	—	½	1½	—
	280	79	82	—	1½	2	—
	300	59	68	74	4	5	9
	330	33	43	53	7	11	17
	360	14	24	32	17	23	28
Thorn EMI (*387)	360	35	50	—	6	15	—
	390	20	37	52	20	30	32
	420	7	18	30	42	50	52
Tesco (*268)	240	40	50	—	2	3	—
	260	22	32	40	6	8	10
	280	11	18	25	16	23	27
	300	4	10	15	36	40	42

Option		Calls Jan.	Calls Feb.	Calls Mar.	Calls Apr.	Puts Jan.	Puts Feb.	Puts Mar.	Puts Apr.
FT-SE Index (*1377)	1300	88	—	—	—	1	—	—	—
	1325	57	—	—	—	1½	—	—	—
	1350	37	55	62	75	5	17	20	28
	1375	18	35	45	57	17	27	33	42
	1400	6	22	32	43	30	40	50	58
	1425	2½	11	22	32	50	55	66	70
	1450	1	6	14	22	75	80	85	90
	1475	1	4	—	—	100	102	—	—

January 21 Total contracts 18,580 Calls 11,986 Puts 6,594 *Underlying security price

WORLD STOCK MARKETS

AUSTRIA

Jan. 21	Price Sch%	+ or −
Credit'nst'lt pp *	2,330	−30
Goesser *	3,730	+130
Interunfall *	14,500	.....
Jungbunzlauer *	42,700	.....
Laenderbank *	2,100	.....
Perlmooser	730	+5
Steyr Daimler	178	.....
Veitscher Mag *	9,510	+10

BELGIUM/LUXEMBOURG

Jan. 21	Price Frs.	+ or −
B.B.L.	2,350	+40
Banq. Gen. Lux	9,600	.....
Banq. Int.A.Lux	9,850	.....
Bekaert	8,600	+50
Ciment CBR	3,000	+150
Cockerill	178	.....
Delhaize	8,730	+30
EBES	3,700	+75
Electrobel	11,800	+750
Fabrique Nat.	2,010	−20
[illegible]	[illegible]	[illegible]

GERMANY

Jan 21	Price Dm.	+ or −
AEG	289	−6
Allianz Vers	2,460	−66
BASF	272.5	−6.5
Bayer	284.5	−7
Bayer.Hypo	580	−22
Bayer-Verein	543	−17
BHF-Bank	550	−25
BMW	645	−7.5
Brown Boveri	264	−6.5
Commerzbank	344	−14
Cont'l. Gummi	203	−10
Daimler-Benz	1,378	−35
Degussa	489	−9
D'sche Babcock	233	−5
Deutsche Bank	868	−14.5
Dresdner Bank	453	−14
GHH	260	−16.5
Henkel	399	−4.5
Hochtief	760	−7.5
Hoechst	281.5	−7
Hoesch Werke	184	−8
Holzmann (P)	545	−16
[illegible]	[illegible]	[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO
Prices at 2.30pm January 21

[illegible]

F—No voting rights or restricted voting rights.

MONTREAL
Closing prices January 20

[illegible]

Total Sales 3,581,439 shares

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

Advances 554 Declines 1,038

TORONTO	Jan 21	Jan 20	Jan 17	Jan 15	1985/86 High	1985/86 Low
Metals & Minls	2,212.2*	2,224.5	n/a	2,259.7	2258.7 (18/1/86)	1740.82 (31/10/85)
Composite	2,828.2*	2,848.4	2,869.2	2,878.2	2909.6 (31/12/85)	2348.5 (8/1/85)
MONTREAL Portfolio	138.12*	139.45	140.97	140.82	142.87 (17/12/85)	117.89 (4/1/85)

* Indicates pre-close figure

[illegible]

** Saturday January 11: Japan Nikkei (c). TSE (c).

[illegible]

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES		
Tr. 8¾pc '87/90	£89¾	+ ¼
Tr. 11¾pc '01/04	£107¾	+ ¾
Beecham	330	+10
BP	553	+10
Clark (M)	425	+20
E'prise Oil	136	+ 5
Frogmore E	180	+ 8
GKN	278	+ 7
Highland E	97	+ 7
Imp Group	257	+ 8
Jackson Ex	32	+ 4
LPA Inds	100	+12
Midsummer I	300	+15
Plessey	172	+ 6
Poseidon	155	+ 9
Reuters B	385	+10
Sears	112	+ 5
Sons of G	176	+ 8
Vickers	318	+10
FALLS		
Bowater Ind	370	−11
Firstland Oil	40	−10
Lloyds Bank	468	−10
Metal Box	569	−14
Sainsbury (Ji)	344	−12
S.E.E.T	148	− 6
Tesco	270	− 5
Trafalgar	312	− 8
Wimpey (Geo)	138	− 6

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 37

[illegible]

Prices at 3pm, January 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28	18	AAR	.56	2.1	16	432	27½	27	27	-⅜
24⅝	10¾	AGS			16	113	21⅛	20¼	20⅝	-½
15⅞	9⅞	AMCA				10	10¾	10¾	10¾	-¼
50¾	34	AMR			7	17123	45⅜	44	44⅞	
24¾	18⅝	AMR pf2.18		9.3		3	23½	23⅜	23⅜	-⅛
25⅞	23¼	ANR pf2.67		11.		3	24½	24½	24½	
17¾	7⅝	APL			5	26	10⅜	10¼	10¼	-⅛
16¾	10⅜	ARX			12	277	13⅞	13¼	13¼	-¾
53⅜	32¾	ASA	2a	5.1		439	39⅝	39⅛	39⅜	+¼
27	10½	AVX		2.2		134	14⅝	14½	14⅝	-⅛
28⅛	20⅝	AZP	2.72	10.	8	388	27	26⅞	27	
72	43¾	AbtLab 1.40		2.1	17	1267	67⅜	66½	66⅝	
28⅜	19⅝	AccoWd .50		1.8	20	187	27¾	26¾	26⅞	-1⅛
24¾	10	AcmeC .40		2.9	20	406	13⅞	13⅜	13⅞	-⅛
10½	7	AcmeE .32b		3.8	13	32	8½	8⅜	8⅜	-⅛
19¾	16	AdaEx 1.90e		11.		81	18⅜	18	18	-⅛
22¾	14	AdmMl .40		1.8	9	5	21⅞	21¾	21¾	
18⅝	8¾	AdvSys 1.38t		8.1	15	29	17	16⅞	16⅞	-⅛
35⅜	22⅛	AMD				2788	28¾	28⅜	28⅞	-⅝
12½	10⅜	Adobe n				238	12½	12⅜	12⅜	
18⅝	14⅝	Adob pf 2.40		14.		25	17⅝	17⅜	17⅝	+⅛
18½	15¼	Adob pf 1.84		10.		69	18⅛	18	18	-⅛
14⅝	8⅛	Advest .12a		.9	19	196	13⅞	13½	13⅝	+¼
55½	37	AetnLf 2.64		5.0	17	2353	53¾	52⅞	52⅞	-¼
57½	52½	AetL pf5.19e		9.5		453	54⅝	54¼	54⅝	+½
54	27¼	Ahmns 1.20		2.4	9	749	51	50⅛	50½	-½
4¾	2½	Aileen			200	59	4⅛	4	4	
69⅞	45¼	AirPrd 1.48		2.2	14	1168	68⅜	67¾	67¾	
24⅜	17½	AirbFrt .60		3.2	11	238	18⅞	18½	18¾	+¼
2⅛	1½	AlMoan .10e		5.3		23	1⅞	1⅞	1⅞	-⅛
33⅜	27	AlaP pfA3.92		14.		4	28¾	28¼	28¾	-¼
8¾	7	AlaP dpf.87		10.		30	8¾	8½	8⅝	
92½	72¾	AlaP pf 9.44		10.		z100	92½	92½	92½	+½
78	64½	AlaP pf 8.28		11.		z200	76½	76½	76½	+½
25⅜	15¾	AlskAir .16		.9	7	1537	17¾	17½	17⅝	
33	12½	Alberto s .36		1.2	22	157	32¼	32	32⅛	+⅜
33¾	26⅞	Albtsns .76		2.4	13	163	31⅞	31½	31½	-¼
31½	22¾	Alcan .80		2.6	56	3183	31	30⅛	30¼	-½
39	31½	AlcoStd 1.24		3.4	16	91	37	36⅝	36⅝	-½
34	25½	AlexAlx 1		3.1		54	32¾	32½	32¾	+⅜
43	21⅝	Alexdr			42	25	36½	35⅞	36	-¼
88½	74½	AllgCp 1.54t		1.8	22	12	84¼	84	84¼	
27½	24½	AlgCp pf2.86		11.		20	27⅛	27⅛	27⅛	-¼
28¾	17	AlgInt 1.40		7.6		695	18⅞	18⅜	18½	-⅛
20¾	15⅛	AlgIn pf2.19		13.		25	17⅜	17¼	17¼	-¼
98	78	AlgI pfC11.25		13.		31	87¼	86	86	
34⅝	28⅛	AllgPw 2.70		8.2	10	1244	33	32¾	33	
21½	14⅝	AllenGs			14	101	u21⅝	21⅛	21⅝	
28⅝	16½	AlldPd			12	26	u27¼	26¾	27⅛	+½
48⅜	42	AldSgnl 1.80		4.0	9	3585	45⅝	45⅛	45⅛	-⅛
63¼	58¾	AldS pfC6.74		11.		15	60⅛	60	60	-¼
111	103½	AldS pfD 12		11.		2	106¾	106¾	106¾	
103⅜	99½	AldS pfF				2	100¾	100½	100¾	+¼
73¼	50¼	AlldStr 2.20		3.1	9	1585	73	70	70	-3¼
9½	3⅛	AllisCh				271	4	3⅞	3⅞	
34⅞	26¾	AllsC pf				7	31½	31	31	-¾
30¼	25¼	ALLTL 1.96		6.6	9	138	30	29¾	29⅞	
40¾	29¾	Alcoa 1.20		3.1	36	5888	39	38⅛	38⅝	-⅜
19	10½	Amax				660	14¾	14½	14½	-¼
36	27½	Amax pf 3		8.8		6	34¾	34¼	34¼	-¾
34	24	AmHes 1.10		4.3	21	4310	26⅛	25¾	25¾	-¾
140½	103¾	AHes pf3.50		3.1		4	113	111½	111½	-4¾
2¼	1⅛	AmAgr				170	1½	1⅜	1⅜	
27¾	16¾	ABakr			9	33	24¾	24⅜	24⅜	-¼
70	53¼	ABrand 3.90		6.0	9	407	65⅜	65¼	65⅜	+⅛
30⅝	22⅝	ABldM .86		3.8	16	59	23	22⅝	22⅝	-¾
35¾	21⅝	ABusPr .64		2.1	15	7	29⅞	29⅝	29⅞	
68⅜	49¼	AmCan 2.90		4.5	13	1686	65¼	64	64¼	-1
57½	43½	ACan pf 3		5.3		6	57	57	57	
118	106⅝	ACan pf13.75		12.		1	115¾	115¾	115¾	+¼
22¼	18	ACapBd 2.20		10.		90	21¾	21½	21⅝	
30⅞	25¾	ACapCv 2.51e		8.7		23	29½	29	29	-¼
11	4⅝	ACentC				239	5⅝	5⅛	5⅝	+⅛
59¼	48	ACyan 1.90		3.2	17	3617	u59⅜	58⅝	59¼	+⅜
28¾	21⅞	ADT .92		4.0	22	645	23⅜	22⅞	23	
24⅞	19⅞	AElPw 2.26		9.7	9	1888	23½	23¼	23⅜	+⅛
55	38	AmExp 1.36		2.6	16	4243	52¼	51¼	51⅜	-½
34	16⅝	AFaml s .48		1.4	20	288	33⅞	33⅜	33½	+¼
37⅞	27¼	AGnCp 1		2.8	10	1113	35¾	35¼	35½	+⅛
17⅜	8⅞	AGnl wt				435	15¾	15¼	15¾	+⅝
56¾	53	AGnl pfA5.64e		10.		267	55¼	55⅛	55¼	+¼
75½	55	AGn pfD2.64		3.7		90	71	70½	70⅞	+⅜
44⅛	30	AHerit 1.20		3.0	12	5	40⅞	40⅝	40⅝	-⅜
13⅜	8¼	AHoist				188	10½	9¾	10	-¾
23	20½	AHoist pf				11	22⅝	22¼	22¼	-⅜
66⅞	51⅜	AHome 2.90		4.6	13	2301	63¾	63	63⅛	-½
106½	74⅝	Amrtch 6.60		6.5	10	837	102¾	101⅞	102¼	-¼
111½	67	AInGrp .44		.4	23	951	107¼	105¾	106⅜	

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
116 1/2	104	PhilE	pf15.25	14.		z970	108 5/8	107	108 5/8	+1 1/8
89 5/8	67	PhilE	pf9.52	11.		z50	88	88	88	−1 5/8
77	63	PhilE	pf9.50	13.		z210	76	75	76	+1
64 1/2	53 1/2	PhilE	pf7.80	12.		z310	u65 1/2	65	65 1/2	+1
63 1/2	52 3/4	PhilE	pf7.75	13.		z200	61 1/2	61 1/2	61 1/2	
23 3/4	17 1/4	PhilSub1.32		6.1	13	11	22	21 3/4	21 3/4	−1/8
95 1/8	72	PhilMr	4	4.5	10	2904	91 7/8	89	89 3/4	−2 1/4
28 3/8	16 5/8	Philpln	.60	2.3	14	245	27	26 3/8	26 3/4	−3/8
17 1/8	11	PhilPt s	1	8.8	9	10573	11 7/8	11 3/8	11 3/8	−1/2
25 1/2	22 1/2	PhilPt	pf1.60e	7.0		767	23 3/4	23	23	−3/4
34 1/2	20 3/8	PhilVH	.40	1.2	15	25	33 1/4	33 1/8	33 1/8	−1/4
36 1/8	27 1/4	PiedA s	.28	.8	9	2341	u37	36	36 3/4	+5/8
37	28 1/2	PieNG	2.32	6.5	15	22	36 1/8	35 7/8	35 7/8	−1/4
22 1/8	13 3/8	Pier 1	.02r	.1	13	82	19 1/2	19	19 1/2	+1/4
63 1/2	38 3/4	Pilsbry1.72		2.9	14	609	60 3/4	60	60	−3/4
34	21 1/2	Pioneerl.24		6.0	11	1425	22 1/2	d20 1/4	20 5/8	−1 1/8
26 3/4	13 1/2	PionrEl.10e		.6		78	17 3/4	17 1/2	17 1/2	−3/8
51 1/8	36 3/8	PitnyB	1.20	2.6	15	361	47 3/4	46 1/4	46 3/8	−1 1/4
101 1/2	74 1/4	PitnB	pf2.12	2.2		3	94 1/2	94 1/2	94 1/2	−1/2
14 1/2	10	Pittstn				887	12 7/8	12 5/8	12 5/8	−1/8
21	15 1/8	PlanPt n.07		.4		140	17 3/8	16 7/8	17	−3/8
19	11	PlanRs	.20	1.4	13	87	14 7/8	14 3/4	14 3/4	−3/8
15 3/4	7	Plantrn.16b		1.1	14	42	14 7/8	14 3/4	14 3/4	+1/4
13 5/8	7 1/4	Playboy			88	49	9 5/8	9 5/8	9 5/8	+1/8
28	19 3/4	Plessey	.64e	2.8	17	2	23 3/4	23	23	−3/4
19	10 1/2	PogoPd	.60	5.6	51	45	10 7/8	10 5/8	10 3/4	
51 1/4	24 7/8	Polarid	1	2.1	89	917	47 5/8	47	47 1/8	+1/8
[illegible]										
18 1/8	2 7/8	WilmEl				881	u9 1/2	9	9 3/8	+1/4
7 5/8	4 1/2	WilshrO10b		2.2	14	132	4 7/8	4 5/8	4 5/8	−3/8
36 7/8	32 1/8	WinDix1.74		4.9	14	131	35 3/4	35 3/8	35 3/8	−1/8
20 7/8	8 1/2	Winnbg	.20	1.5	25	1616	13 1/4	12 3/4	13	−1/8
9 5/8	5 1/8	Winner				53	7 1/4	7	7	
9 1/2	4	WinterJ				6	7 7/8	7 3/4	7 7/8	+1/8
41 1/2	30 3/4	WiscEP2.48		6.3	9	159	39 3/4	39 3/8	39 3/8	+1/4
28 3/4	23 1/4	WisG	pf2.55	9.6		1	26 5/8	26 5/8	26 5/8	−1/8
41 1/4	28 3/8	WiscPL2.84		7.0	9	92	40 5/8	39 5/8	40 5/8	+1/2
40 3/4	29 3/4	WiscPS2.86		7.2	10	61	40	39 1/2	40	+1/4
42	33	Witco	1.48	3.7	10	119	40 3/4	40 1/2	40 1/2	+1/8
14	9 3/4	WolvrW.24		1.8		288	13 1/8	12 5/8	13	
62 1/2	39	Wolwth	2	3.4	11	471	59 7/8	58 3/4	58 3/4	−1
88 1/4	55 1/2	Wolw	pf2.20	2.7		11	83 3/4	83	83	−2
5 5/8	3	WrldAr				13	4 1/8	4	4 1/8	+1/8
95	57 1/2	Wrigly	1.80a	2.1	14	34	85 3/4	84 7/8	84 7/8	+1/8
4 3/4	2 5/8	Wurltzr				15	3 1/2	3 3/8	3 3/8	−1/8
16	10 5/8	WylaLb	.32	2.2	65	148	15 1/8	14 7/8	14 7/8	−1/4
23 3/8	15 1/2	Wynns	.60	3.6	13	31	17	16 3/4	16 3/4	−1/4
		X Y Z								
61 3/4	40 1/8	Xerox	3	5.0	20	1547	60 1/2	59 3/4	59 1/2	−3/4
56 3/4	49	Xerox	pf5.45	9.8		3	55 5/8	55 5/8	55 5/8	
31	25 1/2	ZaleCp	1.32	4.3	12	134	30 7/8	30 1/2	30 7/8	+3/8
24	20 1/2	ZaleptA.80		3.3		1	24	24	24	
17	6 3/4	Zapata	.12	1.7	52	389	7 1/8	7 1/8	7 1/4	−1/8
68 3/4	36 1/2	Zayre s	.48	.8	17	1305	58 3/8	57 1/2	57 5/8	−1/4
25	16 1/4	ZenithE			944	1375	19 1/2	18 7/8	18 7/8	−3/8
23 3/8	17 1/4	Zero s	.36	1.8	17	33	20 3/4	20 3/8	20 3/8	−3/8
41 1/2	26 3/4	Zurnln 1.32		3.3	14	75	40 1/4	39 7/8	40	+1/8

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, January 21

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Lower oil price fuels setback

THE IMPLICATIONS for US financial institutions of the renewed fall in world oil prices triggered a setback on Wall Street yesterday, *writes Terry Byland in New York.*

Futures-related selling sent the blue chips plunging, and sparked a sharp increase in market turnover. Oil stocks suffered widespread falls in heavy trading, as February contracts for crude oil dipped below $20 a barrel in New York. Some banking stocks fell back despite a batch of satisfactory earnings reports.

The stock market steadied later, helped by the credit market. Bonds held firm ahead of today's publication of the Commerce Department's revised GNP estimates for the fourth-quarter of 1985.

At 3pm, the Dow Jones industrial average was down 19.61 at 1,509.52.

The fall in oil prices has mixed implications for Wall Street. While indicating low inflation and stimulation for US and world industry, lower oil prices also threaten the domestic and international energy loan portfolios of US banks.

Stock in Manufacturers Hanover dipped $2¼ to $45 despite improved fourth-quarter profits. Citicorp, announcing a sharp rise in earnings, eased ⅜ to $45⅝. Others responding to results were Mellon, $¾ off at $55⅞, Bank of Boston, down $⅞ at $61, and Republic, down $1¼ at $53⅜, but Wells Fargo held unchanged at $68⅝.

In oils, Exxon tumbled $1¼ to $50⅝, with more than 1m shares traded at mid-session. Also lower were Atlantic Richfield, down $1¼ at $58, and Chevron, down $1½ at $34½.

Airlines rose as prices for fuel oil, their major cost, fell back. Delta at $42⅜, gained $1, but the best gain came in Northwest Air, which was $1¼ up at $47⅞ on renewed bid speculation.

Technology issues opened firmly after good results on Monday from Burroughs, which added a further $⅞ to $64. Support soon waned, however, and IBM, weak since announcing its own results on Friday, was unchanged at $149⅝. Honeywell added $⅝ to $75⅛, and Digital Equipment, still responding to excellent figures, added $1 to $147⅞.

Major industrial and manufacturing issues to announce results included Alcan, $⅜ off at $30⅞. Among defence/aerospace issues, Raytheon edged up $⅛ to $54⅛ on the results, while United Technologies, at $45⅛, eased $⅝.

Ethyl Corporation was $⅛ better at $30⅞ on results and American Brands $⅝ up at $65⅝.

In a mixed railroad sector, Burlington Northern slipped $⅝ to $71⅞ but Santa Fe Southern gained $⅛ to $35⅝. Union Pacific, also with results due, fell $1⅛ to $50⅝.

Pharmaceuticals registered disappointment with the absence of further moves by the G5 countries to lower the dollar. SmithKline Beckman gained $⅜ to $76 after disclosing higher profits. Pfizer, reacting to results announced this week, fell $1⅛ to $48 in heavy turnover. Other weak features included Bristol-Myers, down $⅜ at $61⅝ and Upjohn, $⅞ off at $125⅝.

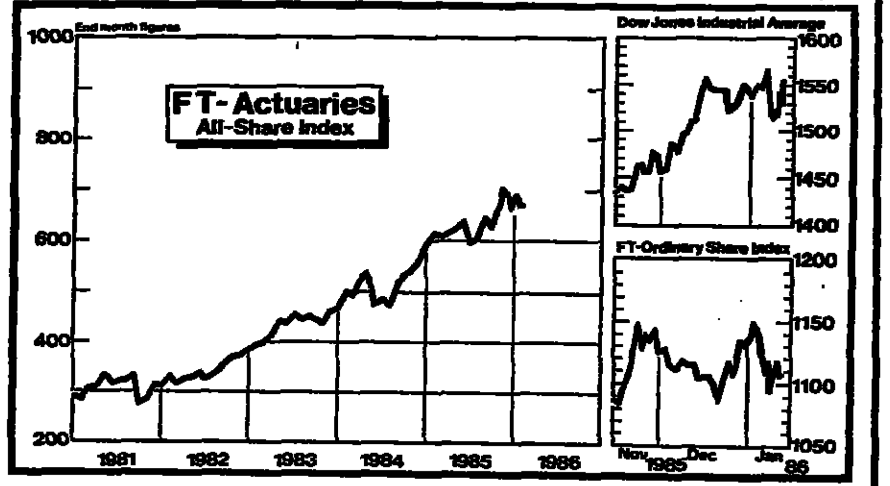
The retail sector was easier, with Federated Department Stores the softest spot with a fall of $2⅝ at $68⅝ after announcing restructuring plans. At $38⅝, Sears gave up $⅜ and J.C. Penney shed $⅝ to $55 as Wall Street braced itself for the year-end reports from the major names.

Chemicals joined in the rout among the other blue chips. Du Pont fell $1⅞ to $60⅝ although selling was not heavy, while Monsanto at $46 was a further $⅝ off. Union Carbide, now traded more calmly than in recent weeks, eased $⅛ to 75⅝.

In the credit sector, short-term rates eased despite the waning of hopes for a cut in federal discount rate. Helping the mood was a dip in federal funds rate to below the 8 per cent level.

Bonds opened sharply higher on the anti-inflation aspects of lower oil prices, and managed to hold gains of half a point despite some moments of uncertainty. The market expects the revised GNP figures to be close to the original estimates.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Jan 21	Previous	Year ago
DJ Industrials	1,509.98*	1,529.13	1,261.37
DJ Transport	715.34*	715.81	593.22
DJ Utilities	170.09*	172.34	147.77
S&P Composite	205.39*	207.53	175.32
LONDON			
FT Ord	1,108.7	1,106.1	1,024.5
FT-SE 100	1,378.1	1,378.3	1,279.0
FT-A All-share	667.34	669.93	627.28
FT-A 500	730.19	731.41	690.38
FT Gold mines	341.8	339.5	463.0
FT-A Long gilt	10.80	10.81	10.72
TOKYO			
Nikkei	12,881.50	12,952.05	11,964.50
Tokyo SE	1,025.80	1,030.39	935.37
AUSTRALIA			
All Ord.	1,067.6	1,065.6	750.7
Metals & Mins.	545.9	545.5	432.8
AUSTRIA			
Credit Aktien	124.47	125.53	58.35
BELGIUM			
Belgian SE	2,822.73	2,823.33	2,096.62
CANADA			
Toronto			
Metals & Minls	2,212.2*	2,224.1	2,061.6
Composite	2,828.2*	2,846.4	2,454.4
Montreal			
Portfolio	138.12*	139.45	124.46
DENMARK			
SE	n/a	241.92	162.79
FRANCE			
CAC Gen	271.4	273.6	190.8
Ind. Tendance	102.8	103.4	104.1
WEST GERMANY			
FAZ-Aktien	687.42	708.77	402.1
Commerzbank	2,076.1	2,139.3	1,169.4
HONG KONG			
Hang Seng	1,776.19	1,775.82	1,350.0
ITALY			
Banca Comm.	489.47	487.37	255.74
NETHERLANDS			
ANP-CBS Gen	263.0	263.5	192.0
ANP-CBS Ind	254.1	254.7	154.2
NORWAY			
Oslo SE	383.85	399.14	314.2
SINGAPORE			
Straits Times	600.09	596.18	766.71
SOUTH AFRICA	Jan 21	Prev	Year Ago
JSE Golds	–	1,253.4	1,043.3
JSE Industrials	–	1,098.0	902.6
SPAIN			
Madrid SE	111.70	113.11	110.27
SWEDEN			
J & P	1,763.93	1,747.98	1,438.96
SWITZERLAND			
Swiss Bank Ind	594.0	592.1	404.4
WORLD	Jan 20	Prev	Year ago
MS Capital Int'l	253.6	255.8	190.3

COMMODITIES

(London)	Jan 21	Prev
Silver (spot fixing)	436.85	427.10p
Copper (cash)	£1,015.50	£1,007.50
Coffee (Mar)	£2,432.50	£2,452.50
Oil (spot Arabian Light)	$25.05	$25.55

GOLD (per ounce)

	Jan 21	Prev
London	$352.75	$351.625
Zürich	$356.875	$351.75
Paris (fixing)	$357.43	$354.45
Luxembourg	$357.75	$354.00
New York (Feb)	$352.80	$355.10

CURRENCIES

	US DOLLAR		STERLING	
(London)	Jan 21	Previous	Jan 21	Previous
$	–	–	1.407	1.4155
DM	2.457	2.471	3.4575	3.4975
Yen	202.4	202.35	284.75	286.5
FFr	7.54	7.5725	10.6075	10.7175
SFr	2.084	2.097	2.9325	2.9675
Guilder	2.765	n/a	3.89	3.9425
Lira	1,673.5	n/a	2,354.5	2,383.25
BFr	50.15	n/a	70.55	71.4
C$	1.40545	n/a	1.9846	1.98345

INTEREST RATES

Euro-currencies	Jan 21	Prev
(3-month offered rate)		
£	13⁷⁄₁₆	13⁷⁄₁₆
SFr	4⁵⁄₁₆	4⁵⁄₁₆
DM	4¹¹⁄₁₆	4¹¹⁄₁₆
FFr	12⅛	12³⁄₁₆
FT London Interbank fixing		
(offered rate)		
3-month US$	8⁵⁄₁₆	8¼
6-month US$	8⁵⁄₁₆	8¼
US Fed Funds	7¹³⁄₁₆*	7¾
US 3-month CDs	7.80*	7.85
US 3-month T-bills	7.015*	7.34

US BONDS

Treasury		Jan 21*		Prev	
		Price	Yield	Price	Yield
7¼	1987	99¹⁷⁄₃₂	8.136	99¹⁴⁄₃₂	8.189
8¾	1993	98¹⁶⁄₃₂	9.025	98⁵⁄₃₂	9.118
9½	1995	101²⁴⁄₃₂	9.197	101⁹⁄₃₂	9.295
9⅞	2015	104²⁴⁄₃₂	9.383	104⁵⁄₃₂	9.441

Treasury Index

Maturity (years)	Return index	Jan 21 Day's change	Yield	Day's change
1–30	137.57	+0.25	8.89	−0.03
1–10	134.36	+0.20	8.64	−0.03
1– 3	129.28	+0.07	8.28	+0.02
3– 5	136.25	+0.20	8.79	−0.04
15–30	149.11	+0.44	9.74	−0.03

Source: Merrill Lynch

Corporate	Jan 21*		Prev	
AT & T	Price	Yield	Price	Yield
10⅜ June 1990	100.75	10.15	100.75	10.15
3⅞ July 1990	86.87	7.40	86.87	7.40
8¾ May 2000	89.872	10.10	89.872	10.10
Xerox				
10⅞ Mar 1993	104	9.825	104	9.825
Diamond Shamrock				
10⅜ May 1993	102	10.22	102	10.22
Federated Dept Stores				
10⅜ May 2013	100.634	10.55	100.634	10.55
Abbot Lab				
11.80 Feb 2013	107.782	10.90	107.782	10.90
Alcoa				
12¾ Dec 2012	107.041	11.40	107.041	11.40

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Mar	83-26	84-06	83-18	83-17
US Treasury Bills (IMM)				
$1m points of 100%				
Mar	93.13	93.16	93.03	93.00
Certificates of Deposit (IMM)				
$1m points of 100%				
Mar	92.28	92.28	92.26	92.22
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Mar	91.97	92.00	91.92	91.86
20-year Notional Gilt				
£50,000 32nds of 100%				
Mar	107–18	108–00	106–27	107–00

** Latest available figures*

TOKYO

Japan Line provokes further fall

AN OVERNIGHT decline on Wall Street and active selling of shares in Japan Line, which is being restructured, drove prices down for the fourth consecutive losing session in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Incentive-based issues, such as Fuji Electric and Tekken Construction, firmed on speculative buying, but most blue chips and large-capital issues eased on small-lot selling.

The Nikkei average lost 70.55 points to 12,881.50 on a light volume of 232.41m shares, up from Monday's 168.14m. Losses led gains by 502 to 295 with 167 issues unchanged.

Investors were discouraged by Wall Street's overnight tumble in response to the failure of the Group of Five finance ministers and central bankers to agree on a concerted interest-rate reduction.

The market was further upset by selling of Japan Line shares in the afternoon. It topped the list of most-active stocks, with 17m shares traded, and its price plummeted Y14 to Y58 on continued small-lot selling.

A large securities firm attributed the fall to some dealers short-selling to take quick profits.

In the depressed market some incentive-based issues attracted buyers. Fuji Electric, second on the active list with 12m shares traded, rose Y16 at one stage but slipped back on profit-taking to close Y10 up at Y346.

The shares drew strength from strong demand for battery products and the news that the company will start producing infrared spectroscopes using technology from the US.

Fuji Electric's rise was also aided by rumours that Siemens, a large shareholder, was seeking to increase its holdings.

Elsewhere, Nissho Iwai firmed Y4 at one stage, benefiting from its trade performance with the Soviet Union and its diversification into the information industry. However, it later fell to close Y1 down at Y303 on volume of 5m shares, the third most active of the day.

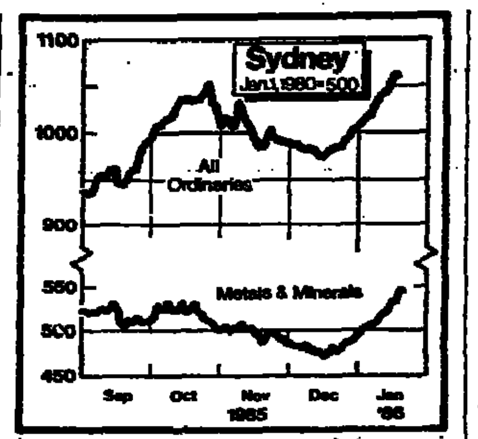
Tekken Construction continued to attract buying interest on speculation about a redevelopment programme for idle land held by Japanese National Railways, gaining Y8 to Y415.

However, Victor of Japan, which was traded actively on Monday on reports of a plan to increase the production of video discs, fell back Y130 to Y1,970.

Constructions were favoured but blue chips and large-capital shares such as Tokyo Electric Power eased on subdued buying interest.

The bond market rallied in response to a fall in North Sea crude oil prices and a bottoming-out of US bond futures prices. The yield on the benchmark 6.2 per cent government bond due in July 1995 dropped to 5.770 per cent from Monday's 5.840 per cent.

Speculative buying interest by some large securities houses was evident because bond yields had reached fairly high levels in reaction to a delay in the US Federal Reserve Board's decision to cut the discount rate.



AUSTRALIA

SHARP GAINS by resources stocks led Sydney to a record yesterday in active trading.

The All-Ordinaries index shrugged off negative overseas news on gold and oil prices to close at a new high of 1,067.6, up 2.0 on the previous session.

Takeover speculation and a strong profit announcement in the resources sector helped to strengthen the market. BHP was heavily traded and closed 4 cents higher at A$9.14 on talk of a possible takeover bid by Mr Robert Holmes à Court.

In turn, his Bell Resources announced strong year-end profits and closed 5 cents up at A$6.50.

North Broken Hill, subject of a partial takeover from IEL, rose 2 cents to A$2.82 in active trading, while IEL added 8 cents to A$7.40.

LONDON

A LATE firmness in crude oil prices and US buying of selected blue chips gave a boost to London from low early levels.

The FT index closed 2.6 up at 1,108.7, while the FT-SE 100 index ended 0.2 down at 1,378.1.

US buying saw Beecham add 10p to 330p and Reuters B rise 10p to 385p.

Longer-dated gilt-edged securities closed with gains ranging to ⅝, while shorter maturities recouped early losses of ¼ to end that much higher.

Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32, 33

HONG KONG

BARGAIN-HUNTING and short covering gave a late lift to Hong Kong where the Hang Seng index closed 0.37 up at 1,776.19 after an 11.84 fall early in the session.

Utilities, after heavy selling on Monday, recouped some of their losses. Hongkong Electric closed 5 cents up at HK$8.80 and Hongkong Telephone was 10 cents higher at HK$11. However, China Light slipped 10 cents to HK$16.50 and Hongkong and China Gas was also 10 cents down at HK$14.

Elsewhere, Cheung Kong was 10 cents up at HK$20.60, Hongkong Land was 5 cents higher at HK$6.75 and Swire Pacific also added 5 cents to HK$30.60. Hutchison Whampoa was unchanged at HK$27.30.

SOUTH AFRICA

A FIRMER bullion price boosted golds in Johannesburg in fairly active trading.

Buffels and Gold Fields added R1 each to close at R85 and R42 respectively, while Driefontein was 50 cents up at R54.50.

Mines and mining financials followed the rising trend with Anglo American up R1 to R42.75, diamond share De Beers 20 cents firmer at R18.10 and Rustenburg Platinum 35 cents higher at R27.60.

EUROPE

Profit-takers inflict heavy toll

PROFIT-TAKERS inflicted a heavy toll on the European bourses yesterday as concern over the falling crude oil price and some belated disappointment over the outcome of the G5 meeting further weighed heavily on sentiment.

Frankfurt bore the brunt of the fall with a weaker tone in banks depressing the Commerzbank index 63.2 to 2,076.1 as a succession of rights issues failed to impress market operators.

The two-for-15 rights issue by Commerzbank was accompanied by a one-third increase in the dividend to DM 8 for 1985, but the pricing of new shares at DM 300 was judged excessive. The bank fell DM 14 to DM 344.

BHF, which announced a one-for-10 rights offer late on Monday, was marked down DM 23 to DM 550, while Deutsche Bank, the largest retail institution in West Germany, fell DM 14.50 to DM 868.

Siemens gave up all of Monday's gain with its DM 12 fall to DM 805 and Metallgesellschaft, which surged DM 21.90 in the previous session dropped DM 20 to DM 390.

Following the weaker trend in banks, insurers showed some dramatic falls. Allianz weakened DM 88 to DM 2,460, while associate insurer Munich Re continued to prove volatile with a stunning DM 250 fall to DM 3,650.

Among the few issues to gain on the day were Lufthansa up DM 2.50 at DM 277.50, Rosenthal DM 6 stronger at DM 350 and Thyssen DM 2.50 higher at DM 183.00.

The bond market was steady in thin trading with prices moving 10 basis points either way. Intervention by the Bundesbank amounted to sales of DM 37.9m against Monday's purchases of DM 6.2m.

Institutional profit-taking surfaced in mildly softer **Paris.** Retailers led the decline with Damart down FFr 138 to FFr 1,810 and Darty soon followed with a FFr 75 drop to FFr 2,185.

Oils continued to slip. Total CFP fell FFr 6 to FFr 309 ahead of its encouraging profits analysis for last year and Francarep suffered a more damaging FFr 19 fall to FFr 320.

Milan encountered very strong demand only partially offset by profit-taking. Fiat hit a record L6,531 with a L130 gain but weakened slightly in after-bourse trading.

Olivetti moved further into the five-digit territory with a L50 gain to a record L10,050.

Brussels was mixed but active. Channel tunnel related issues again made good progress with Société Générale up BFr 35 at BFr 2,180, Electrobel BFr 750 higher at BFr 11,800, while ACEC hit a 14-year high of BFr 870 with a rise of BFr 30.

Petrofina lost BFr 60 to BFr 6,300 in hectic trading, while the British group GEC shed BFr 6 to BFr 123 on a record turnover of 260,000 shares.

Zurich was weaker with Hoffmann La-Roche SFr 250 down at SFr 13,525 ahead of forecasts. Engineering issues were strong with Saurer SFr 13 ahead at SFr 223 and Oerlikon Bührle SFr 69 higher at SFr 1,699.

A firmer **Stockholm** saw Fermenta top the active list again with a SKr 9 rise to SKr 283 and Electrolux, also busy, gained SKr 7 to SKr 204.

Amsterdam weakened slightly while utilities led **Madrid** lower in quiet trading.

CANADA

OILS continued to fall taking Toronto lower in most sectors. Imperial Oil Class A showed further losses amid continuing lower crude oil prices. It traded C$1 down to C$46⅝. However, Gulf Canada was unchanged at C$20½ in active trading.

Elsewhere, Canadian Pacific traded C$⅛ higher at C$18⅛, Pacific Western Airlines lost C$1⅜ to C$12⅞.

In Montreal industrials traded largely unchanged, while banks and utilities were lower.

OSLO

Foreign fear sparks wave of selling

A WAVE of selling hit share prices on the Oslo stock exchange yesterday, *writes Fay Gjester in Oslo.*

All the market leaders lost ground in heavy trading, and the total value of the 123 companies quoted on the main exchange (Bourse I) dropped to NKr 89.9bn ($9.2bn), from NKr 72.2bn a day earlier – the steepest decline in a single day in nearly two years.

The All-Share index fell to 300.99, from 310.65 on Monday and a 1985-86 high of 325.31.

Investors, hesitant since the new year, appeared to have been panicked by London broker reports advising foreigners to pull out of Norwegian shares now. Two such reports – by Grieveson Grant and Enskilda Securities – were prominently quoted yesterday in an Oslo business newspaper. Foreign funds have provided much of the impetus for Norway's prolonged bull market.

Other negative factors were the continuing fall in oil prices and interest rate increases triggered by recent controversial money market measures.

The relative size of the declines varied considerably. Norsk Hydro, which this week finalised a promising takeover of French fertiliser producers Cofaz, was down only NKr 4 to NKr 137.50 compared with a 1985-86 high of NKr 167.50.

Borregaard, which has just announced a dividend increase, closed at NKr 459, down NKr 7 from Monday and only NKr 18.5 lower than its 1985-86 high. Elkem, on the other hand, dropped NKr 7.50 to NKr 95.50 – far below its 1985-86 high of NKr 158.

Norsk Data fell NKr 15 to NKr 415, Kosmos lost NKr 2 to NKr 201, Den norske Creditbank, retreated NKr 6 to NKr 174 and Norcem was down NKr 12.50 to NKr 155.

A stock exchange spokesman said foreign investors had supplied much of the fresh capital which had flowed to the market during the past couple of years, and this flow would be significantly weakened if they should disappear for good – "but we don't expect this to happen."

Bank of Norway figures on net share purchases by foreign investors are published with a three-month delay.

SINGAPORE

INSTITUTIONAL BUYING helped Singapore to recover from Monday's downward trend and the Straits Times industrial index closed 3.91 up at 600.09.

However, trading was quiet in the absence of fresh factors.

Most active share was Singapore Airlines which shed 4 cents to close at S$4.84.

Banks were generally higher to steady. OCBC added 5 cents to S$8.95, Public Bank 4 cents to S$1.06 and Malay Banking 4 cents to S$4.32. DBS and OUB were steady at S$4.74 and S$2.38 respectively.

Elsewhere Singapore Press was 10 cents up at S$5.70, Sime Darby added 3 cents to S$1.44 and Genting rose 6 cents to S$4.24.

SECTION III

FINANCIAL TIMES SURVEY

Sharply rising costs for insurance subscribers have caused a slowdown in market growth and a dispute about how far services should extend into non-acute hospital care.

PRIVATE HEALTH CARE

Left: a typical private room in a Bupa hospital. Above: the £1.5m psychiatric hospital recently opened by AMI at Kneesworth House, near Cambridge

Spiralling costs cause divisions

By LISA WOOD

THE CONTAINMENT of costs has become the priority for Britain's private health care industry as it tries to sustain growth into the 1990s.

Rapid expansion in subscribers between 1979 and 1981 slowed last year to an estimated increase in the market of only between 3 and 4 per cent. Five years earlier in 1980 there had been a record 30 per cent rise in business, falling back to a more modest but still substantial 14 per cent in 1981.

The slowdown—and hence the need to contain costs—is largely a consequence of spiralling premiums. Between 1981 and 1983, when the retail price index rose by 14 per cent the average subscription cost per person covered rose by about 61 per cent. Private insurance accounts for an estimated 70 per cent of acute private hospital care, with the remaining 30 per cent accounted for by overseas patients and indivduals who pay for their own treatment.

Overall average subscription costs are not available for 1984 and 1985 but those of Bupa, the largest provident association, are not untypical. In those two years when the retail price index went up by 10 per cent, Bupa increased its subscription rates by 9 per cent and 14 per cent. These rates, Bupa says, were well below the rate of medical inflation which is currently running at about 15 per cent, mainly as a result of higher equipment replacement costs.

Who or what is responsible for such spiralling costs has been the subject of a debate that has erupted publicly in the last few months after simmering in private for some years. At its most extreme the argument is that foreign, commercially run organisations, and mainly US-owned ones have been the major offenders.

Not all agree, however. "To allege that the influx of US commercialism is responsible for the whole cause of the rise in costs is misleading," says Mr Roy Forman, chief executive of PPP, the second largest provident association.

Costs factors

Mr Forman instead lists several factors which cause higher costs. These include:

- A rise in the frequency of people claiming.
- A swing away from the NHS pay bed towards independent hospitals where charges are higher. The Auditor-General is investigating whether prices charged for NHS pay beds are reasonable or, as the commercial sector claims, they are underpriced. The cost of a 10-day stay in a pay bed at the NHS Westminster Hospital would be around £1,660, while the cost of similar accommodation at a luxury commercial one would be around £3,500.
- More beds within independent hospitals are now run on a commercial rather than a charitable basis and are hence more expensive. Since 1979 the proportion of beds in commercial hospitals has increased from 28 per cent to 53 per cent of the total, while the voluntary and religious share dropped from 72 per cent to 47 per cent.
- All hospitals, whether NHS or independent have raised their charges substantially and often well beyond the rate of general inflation.
- The tendency towards high-tech procedures such as transplants (AMI last week announced the first heart transplant at a private health hospital in the UK but in this case the US-owned group and its surgeons did not charge).
- Overbedding. Even though hospitals are finding it difficult to boost their occupancy to break-even level, new beds are being provided. Charges have been pushed up to cover high overheads as a result of low utilisation.

Britain's provident associations, including the major three Bupa, PPP and WPA which account for over 90 per cent of the insurance market are being challenged, too, by commercial insurers. The most recent intervention has been that of Mutual of Omaha, the UK subsidiary of which has relaunched its private medical care insurance.

New approaches

"Whereas the smaller provident associations have generally been content to follow Bupa's lead in contract terms and conditions the commercial insurers have been more aggressive, experimenting with new approaches and packages," says Mr William Laing in a recent Office of Health Economics report, Private Health Care 1985. These include devices such as part insurance.

A plethora of new services—such as outpatient, psychiatric and alcohol abuse care—are also being tested by commercial hospitals, fields which the provident associations have not been keen to tackle on the ground that they do not fall into their philosophies of providing for acute hospital care. This too puts pressure on premiums.

This is the background to much of the criticism by the provident associations of commercial providers such as AMI.

Its chief executive Mr Gene Burleson argues they are merely trying to expose more of the population to private care. Not so, responds Mr Bob Graham, chief executive of Bupa. "If you start to build long-term care into insurance then the costs of subscriptions have to go up and you limit the market."

It is a debate that is not likely to subside this year, with AMI threatening to introduce its own insurance packages on the lines of its Amicare in the US. It would then itself insure services it is now test marketing in the UK such as primary care, private accident and emergency treatment and an alcohol treatment centre.

"I would prefer to stay with an existing insurer but if we have to go into the market we have the resources to do it," Mr Burleson says.

Migration

The move towards non-acute care is being encouraged by too many beds being made available in some parts of the country, particularly central London. Casualties include the Nuffield Hospital group's 68-bed Nightingale Hospital in London which is to close this year. "We have run the hospital since 1978," said Mr Oliver Rowell, managing director of the Nuffield Hospitals. "But since then eight new private hospitals have opened in central London, offering more than 800 new acute beds. This competition has been coupled with a migration away from the centre of London where we have been investing in the last two years."

"There is a degree of overbedding," said Mr John Randall, of the Association of Independent Hospitals. "It is a combination however of speculative building by commercial developers in areas where acute hospitals are not needed and the fact that much of the planning assumed that NHS pay beds would be phased out. One fifth of private patients are still treated in NHS pay beds."

The cost of building by the commercial sector was sometimes exaggerated by critics Mr Randall said. But he added:

CONTINUED ON PAGE 2

UK INDEPENDENT ACUTE HOSPITALS (Ownership summary)

Category	1979 No. of hospitals	%	No. of beds	%	July 1985 No. of hospitals	%	No. of beds	%
Charitable								
Religious	33	22	1,879	29	29	14	1,725	17
Charitable	21	14	1,664	25	28	14	2,040	20
Charitable groups	34	23	1,175	18	38	19	1,555	15
Charitable total	88	59	4,718	72	95	47	5,320	52
For-profit								
American groups	3	2	366	6	24	12	1,924	19
British groups	4	3	156	2½	30	15	1,319	13
Independent	54	36	1,378	20	52	26	1,592	16
For-profit total	61	41	1,900	28	106	53	4,835	48
Total	149	100	6,578	100	201	100	10,155	100

Source: Association of Independent Hospitals.

CONTENTS

Pressure on costs stimulates more co-operation

Links with NHS

ROBIN PAULEY

THE GOLDEN days of fast and easy profits for the private medical sector have gone in Britain, as in the US. The problems are different to those within the National Health Service but each sector is now battling against considerable financial pressure with the result that, finally, there are a few signs of mutual co-operation.

For years there has been a common face between the private and public sectors — private wards and pay beds in NHS hospitals, NHS consultants also working as private consultants — but the two have continued to exist as entirely different and separate worlds.

The Office of Health Economics has reported on two independent surveys by the Royal Institute of Public Administration and Leeds University's Nuffield Centre for Health Service Studies. They indicate that collaborative and co-operative arrangements are still largely regarded by health authorities as avenues of last resort when efforts at achieving an in-house solution fail. Nevertheless, the surveys also show that where a public-private interchange takes place it is usually implemented successfully.

Contractual

The 1984 studies show that in the majority of fields the health authorities had not discussed collaboration or entered joint development for use by both public and private patients within the previous 12 months. Nevertheless, more than 40 per cent of the 202 health authorities in England and Wales had some sort of contractual arrangement in place.

The flow was heavily weighted to the NHS as a provider and the independent sector as consumer—for example the selling of clinical services such as pathology by the NHS to the private sector.

The £1m lithotripter made available by Bupa for use by NHS and private patients being used at St Thomas' Hospital. Mr K. E. D. Shuttleworth, consultant urologist (left) and Mr R. Graham, chief executive of Bupa, watch a patient being lowered into the water. Shock waves disintegrate the kidney stones in the body into sand grain particles. The treatment is usually painless and takes about 45 minutes

For long-term chronic care the flow was the other way with a third of health authorities contracting out long-term care of the mentally ill, mentally handicapped and the disabled to the private sector.

But the new financial pressures facing both sectors coupled with the sharp rise in the worldwide costs of new medical technology could push the NHS and the private sector into more joint developments. Mr Victor Paige, chairman of the NHS Management Board, said the NHS and private sector could make joint use of equipment that separately neither could afford or there may be opportunities for joint training.

Mr Kenneth Clarke, then health minister, told the last Financial Times conference on independent health care that the Government regarded the private sector as complementary to the NHS and he urged two-way co-operation.

There are already some examples, principally between the NHS and the British non-profit private sector rather than the US-led organisations which are more profit-orientated.

Bupa has been something of a leader and Mr Bob Graham, Bupa chief executive, went as far as to say last year that the future of private health care lay in containing costs and in a partnership with the NHS.

One example has been an agreement between Bupa hospitals and the Great Yarmouth and Waveney health authority to fund jointly a nurse tutor who will work at seven NHS hospitals in East Anglia and the new Bupa hospital at Norwich.

The role of the nurse-tutor is to co-ordinate all in-service training of the qualified nursing staff at the Bupa hospital while the emphasis in the NHS hospitals is on showing all nursing staff how to deal better with patients as individuals rather than as medical cases.

Both sides are enthusiastic. Mr Robert Guest, district nursing officer, said it was unlikely that the NHS could have found money alone from its hard-pressed resources to appoint the tutor and Mr David Gray, manager of Bupa's hospital, said he believed it was the beginning of a long-term programme of co-operation with the health authority.

The most important joint venture so far has been the installation of a £1m lithotripter, bought by Bupa, in St Thomas's Hospital, London. The lithotripter is being used to treat around 1,500 patients a year. It uses shock waves to disintegrate kidney stones without surgery.

While Bupa paid for the technology, St Thomas's paid for all the building and installation costs for the Lithotripter centre and the Department of Health and Social Services is supporting the unit's staffing costs. The lithotripter is available to both NHS and private patients.

A similar sort of deal is the new £1m magnetic resonance imaging scanner in London's National Hospital. The scanner unit is managed by Bupa but offers a direct referral service to both NHS and private patients.

However, a substantial residue of distrust remains between the two sectors. Mr Gene Burleson, chief executive, of American Medical International which now leads the for-profit sector in Britain, doubts that very much will change without further political initiatives which are unlikely before the next general election.

He thinks eventually an entire health district will be managed by the private sector but that at the moment the Government is not prepared to go out on a limb to make it happen. "I think we are on hold for a couple of years," he said.

A major attempt by AMI to set up a joint NHS facility failed last year when the public sector pulled out. AMI proposed a £2.5m project under which it would buy and install a lithotripter in Manchester and, on the basis that such a piece of equipment can serve a population of 10m, it would contract it out to the health services in and around the city.

Several districts agreed but at the last minute decided that they would pool their NHS resources and buy their own machine. So AMI withdrew its plans and installed the lithotripter in the US instead; another one is now going into AMI in Switzerland.

Although disillusioned about the lack of NHS enthusiasm for such joint projects AMI is now negotiating another scheme under which it will provide a radio-therapy unit in a building adjacent to a non-London teaching hospital. It will be used by private and public patients. AMI will put up the £4.5m costs and will receive a management fee from the NHS while the NHS will operate the unit on a day-to-day basis, putting in the radiologists and staff. However, in spite of the reticence of the public sector and the fact that the Government has put the issues on the back burner since the 1983 general election there is an important new development which could lead to much more interactive work between the two sectors.

Under the reorganisation of the NHS all districts and units have been required to appoint general managers. They have five-year contracts and may well try to make things happen as part of the pursuit for tight budgetary efficiency.

Two-way flow

Already an increasing variety of services are being put to tender. Portsmouth, Bath, Blackpool and Newcastle have contracted with private hospitals to carry out some operations where the NHS waiting list is too long and the NHS now pays for nearly 10,000 operations a year to be carried out in private hospitals. Sometimes there is a two-way flow of business. One of these authorities, Portsmouth, has won a £100,000 contract against bids from five private sector organisations to provide the pharmaceutical services to Bupa's new hospital in Portsmouth.

The Government had hoped that such two-way examples would be commonplace rather than rare exceptions by now. One reason for the slow progress has been the depth of the different philosophical approaches of the two sectors — coupled with some poor experiences of co-operation, notably in some of the arrangements for the contracting out of laundry and cleaning services.

But with increasing cost pressures NHS managers seem set to become more entrepreneurial in their approach and the consequent merging of philosophy could bring the public and private sectors together in co-operative business ventures much more often. Who would have thought, even five years ago, that an eye hospital such as Manchester's might open its own optician's shop and make £40,000 a year by under-cutting high street prices?

Hospital groups July (1985)

	Beds 1985	Beds 1979	Hospitals 1985	Hospitals 1979
Nuffield Hospitals	1,385	1,029	33	30
AMI	1,190	265	13	2
BUPA	562	62	10	1
HCA United Kingdom	320	—	7	—
Community Hospitals	293	—	7	—
Humana	265	101	1	1
British Pregnancy Advisory Service	170	146	5	4
GM Health Care	159	—	4	—
London Nursing Homes	94	80	3	2
National Medical Enterprises	87	—	2	—
St Martins	74	—	2	—
Nu-Med	62	—	1	—
Health Care Corporation	54	—	1	—
Health Care Services	30	—	1	—
Nationwide	20	—	1	—
Nestor Medical Services	—	—	—	—
All other hospitals	5,390	4,895	110	109
Total	10,155	6,578	201	149

Source: Association of Independent Hospitals.

Spiralling costs cause divisions

CONTINUED FROM PAGE ONE

"I do not understand why some US companies are paying in excess of £150,000 a bed for some London developments."

The future according to one observer is likely to witness a continuation of the process of transformation of private health care from a cottage industry supported by voluntary institutions into a sector of corporate activity, though the provident associations remain confident they will have a continuing role.

Slowdown

Mr Laing, in his OHE report, argues that the process of corporatisation that occurred in the US in the 1960s and early 1970s will be repeated in the UK. "The emergence of American-based health care multinationals, now operating throughout Europe, is a product of this development," he said.

"The implications for cost and quality of private health care in Britain, and its relationship with the dominant public sector, are likely to be significant," he observes.

At stake is a share of a market which in spite of the slowdown in growth is now very substantial. Overall, independent hospital based services (excluding local authority registered residential care of the elderly) amounted to £827m in the UK in 1984, the last year for which figures are available from the Office of Health Economics.

Private Health Care 3

Two aspects of the widening gulf between the insurers and the US providers of private medical care

Containment of costs is main problem

Bupa's chief executive Robert Graham explains to LISA WOOD his case for modest levels of hospital treatment

ROBERT GRAHAM, chief executive of Bupa, Britain's biggest provident association, appears a mild-mannered man but he spoke out strongly at a recent conference against what he called the influx of profit-making and mainly foreign organisations which now account for over 50 per cent of the private acute hospital beds in this country.

Mr Graham is at pains to play down what newspapers described as a bitter hostility towards the commercial providers, and in particular US-owned ones. "I am not against commercial organisations," Mr Graham said, "but there are hospital groups that provide great luxury and we tend to see the needs of our patients more modestly."

"Cost containment," said Mr Graham, "is the greatest problem and I would criticise some of the commercial providers for unrealistic profit levels. When we started our hospital agreement plan two years ago, which negotiates an annual ceiling on costs for certain procedures in all but three of Britain's 180 acute private hospitals there were instances of up to 500 and 600 per cent mark ups on things like drugs."

In discussing the escalating cost of insurance premiums Mr Graham reflected on the history of Bupa which beside its insurance owns eight hospitals and manages a further three in England, Scotland and Wales.

"Bupa," he said, "was traditionally a middle class movement and not a wealthy man's club. We saw ourselves more as providers of nursing home type care, that is low-cost fairly routine work. Suddenly there was an influx in the 1970s of highly-priced commercial providers of private health care."

Not only did the new commercial providers offer luxury but also the more high-tech operation such as heart by-passes and services such as in vitro fertilisation . . . We are not opposed to high-tech medicine," Mr Graham said, "but we have to be selective. You cannot overnight ask policy holders for a great deal more money than they are used to paying."

He strongly fends off criticism—made by organisations such as AMI — that Bupa is restricting growth in the business by not providing insurance for services such as out-patient psychiatric and out-patient alcoholic and drug care. "We have not had a history of excluding things that we have traditionally covered," Mr Graham said. "Our philosophy is that we deal with acute care.

"If you start to build into insurance long-term care then the costs of subscriptions have to go up and you limit the market. It is quite contrary to what people such as Mr Burleson of AMI suggest.

"There are certain aspects of health care that are not appropriate to insurance. Nobody, I am sure expects Bupa to insure for detention centres."

Dentistry and GP primary care were also areas Bupa had found difficulties with. "We did try with primary care some years ago," Mr Graham said, "but it is very difficult to pin down genuine illness. People may go to see their GPs because they are lonely.

"The main problem is distinguishing between the routine and the exceptional. We pay for exceptional needs that require surgery but not for routine work such as fillings. It simply is not suitable for the insurance financing mechanism. We have also looked at private casualty units but have been unable to establish sufficient demand." Mr Graham said that with some 3.2m subscribers Bupa had an unrivalled indicator of what the market wanted.

Robert Graham, chief executive of Bupa, Britain's biggest provident association.

Expansion of the market, Mr Graham said, was a job of making continuing efforts to educate and permeate the market place and keeping premiums down to modest levels.

"Bupa," he said, has lost market share over the last 10 years (currently some 70 per cent of the total private health care insurance market) but last year we brought into the market 400,000 new subscribers out of the total of 475,000.

"We did put premiums up by 11.5 per cent in early January but they did not go up last June and our premiums are increasing by a lower rate than medical inflation."

Over-bedding, one of the causes of spiralling inflation in the private health care business with some hospitals running at 40 per cent occupancy, was not a problem for Bupa's 11 hospitals, Mr Graham said. "We are planning three more hospitals in the near future but under-utilisation does not occur in our hospitals as we are careful where we put them and try to reflect the needs of our subscribers.

Bupa has no hospitals in central London where some eight new private hospitals have opened since 1978 with the provision of more than 800 more acute beds. It is here that Mr Graham is most critical of the commercial sector and predicts a possible shake-out in the London market.

"There might be some cheap hospitals coming onto the market in central London and in Birmingham where there is also over-provision," said Mr Graham.

As to the future of the provident associations Mr Graham has no fears for their continuing health. "Growth may be modest," he said, "but it will be constant."

Plea for a wider market

AMI's chief executive Gene Burleson tells ROBIN PAULEY why there should be an expanding market for services

THE CONFLICT between the providers of private medical care in Britain and the insurers has worsened and become more public in recent months. If the problems cannot be resolved American Medical International, Britain's largest for-profit hospital company, will enter the insurance market with its own insurance schemes and abandon the traditional insurers like Bupa and PPP.

This blunt warning was given by Mr Gene Burleson, managing director and chief executive of AMI in Europe, during a wide-ranging interview.

Mr Burleson is a quiet but forthright 45-year-old Texan who left the financial services of Eastman Kodak to enter the private medical market 12 years ago because it was "new, exciting without a lot of old management policies and procedures and it had opportunities for someone who wanted to take some risk."

He was financial director for AMI in Georgia and Texas before moving to London in 1981 and AMI had four hospitals; it now has 21. "We would like a hospital in the west country and one near Leeds and that will complete our acute hospital network."

The glittery days of open-ended profits in the sector are over and the industry is going through a severe "shakedown which will last another couple of years." One result of this is greatly increased competition for all sectors of the market and the growing disagreement between insurers and providers over costs, both hunting profits out of the same premium.

"The problem has been with Bupa and PPP who have been more interested in protecting their turf from one another than expanding the total market," he said.

Mr Burleson has been deeply wounded by the public accusation by Mr Bob Graham, Bupa chief executive, that companies like AMI are in Britain simply to make money to repatriate to the US. "We have 4,000 employees and I am the only American — hopefully my job will be held by a Briton one day. You cannot invest £123m in this country and then be told you are only here to send money back home."

Gene Burleson, chief executive of AMI, the largest for-profit US hospital company in Britain.

Less than 10 per cent of the British population is covered by private medical insurance. "There have to be additional markets out there and we should be going after them by creating more creative types of insurance programmes to market to the population."

AMI has started to test those markets by opening up on a number of fronts—primary care, a private accident and emergency facility, a psychiatric unit for detained patients, a treatment centre for alcoholics. But the insurers have not kept up to date with these expanding markets, says Mr Burleson.

"With the recent announcement by both Bupa and PPP that they are no longer going to cover outpatient alcohol care and psychiatric care we are being forced to look at the situation. Instead of offering a wider range of services health care in this country is becoming more and more restricted.

"I'd rather not be in the insurance business and I'd rather Bupa was not in the hospital business. But we have launched our own insurance in the US (Amicare) and we are still exploring the possibility here. At the moment to do business with Bupa in terms of our discounting what we do with them is costing us several million pounds and without an agreement with Bupa on our programmes we would obviously have to take that money and either go into direct advertising to bring in the patients, go to a new insurer or do our own insurance.

He thinks one of the problems is the rapid way the UK market has changed with more people opting for the high-tech high comfort of hospitals in the for-profit sector. "For years Bupa was on the cutting edge of private medicine and they were the spokesmen for it. All at once they found out that maybe that was not true any more.

"In the year just ended utilisation of our hospitals increased by 19 per cent. Either the market is growing or we are taking market share away from others and if we are doing that we must be doing something right somewhere."

Mr Burleson is anxious to see a general family medical insurance covering all aspects of in-patient, out-patient and GP care. "This is long overdue in Britain but you put that to Bupa or PPP. They have segmented the market and said the private market exists only for hospitals and consultants. Everyone else is excluded. They will reimburse 100 per cent for in-patient work but nothing for the same procedure for an out-patient even though it is cheaper.

"So when they complain about costs let us look at some of the programmes. Why don't they cover outpatient surgery, why do they allow only £200 a year or whatever for outpatient work for a whole year, why don't they cover GPs?

"They keep talking about escalating costs but as long as we segment the market to this extent costs will have to keep rising. It is time to make more available. The AMI policy in the US picks up 80 per cent of all medical expenses and the other 20 per cent after the first $1,000. That is what I would like to see here."

In spite of the present difficulties in Britain and the US, Mr Burleson is bullish about the future of the market here. "But when I look at some of the people who have come into the market recently and what they have paid for their hospitals I don't know what they are doing here.

"I think they have underestimated that it normally takes three to five years for a hospital to be in the black and investors aren't going to sit back and wait. I think we will see fewer and fewer of the free-standing hospitals."

The problem for the general acute sector was that most of the prime sites had gone and it was becoming more difficult to find a pocket of population to support a hospital.

"But there are other sectors still to be explored. We have hardly touched the geriatric market yet and occupational health is a very exciting growth area. Our long-term strategy remains to develop private primary care and from that we would have spokes going out to all other sectors including hospitals and as integrated system of providing care we will eventually bring doctors into the system.

"I am very bullish about the market; it will continue to grow for those who can make a profit. But I find it totally asinine to say that the profit motive is killing the whole industry. It is the profit motive that is going to keep the industry going and it is only those companies that are able to generate the profits that are going to be here. Without the incentive they are not going to last," said Mr Burleson.

Pitfalls in caring for the old

Ageing population

JUDY KIRBY

WILL THE private sector be the future major provider of care and accommodation for elderly people in Britain?

With the 85-plus population expected to reach one million by 2001 and continue growing, the foundations are there for continued consumer interest in retirement care, but it is a growth industry fraught with pitfalls.

Initial optimism was impaired by the supplementary benefit saga. When the Government first decided to top up benefits to allow elderly people to find places in private homes because of long NHS waiting lists, there was a surge of interest from proprietors—and potential proprietors—of private nursing homes. The bubble soon burst, however, when the Government realised that maximum limits were being routinely charged, and benefits were sharply reduced to £138 a week for an able bodied pensioner in a home, and to £190 for a dependent resident.

This caused chaos with proprietors reverting to private patients only. For a time the acute wards of hospitals had to take elderly people with nowhere else to go. Benefit levels have now stabilised at between £170 and £230 a week for nursing home residents, according to dependency. As one proprietor put it — "you cannot drive a Rolls on these amounts, but you can make a profit."

For anyone considering becoming a proprietor of a private home, the market research needed is daunting, for success depends on local reputation. Large loans will be necessary — the value of property which can be converted to a rest home has leapt up in the last three years.

According to Peter Stanniland, a council member of the Registered Nursing Home Association, a 20-bedded home which could be bought for between £160,000 and £200,000 is now priced at £300,000 to £350,000. "I would be very wary coming into this business now," he says "there are three homes in my area which are currently failing."

Mr Stanniland runs the Arbour nursing home in north Somerset, which he converted from an isolation hospital, after a long search for the right place. Situated in the Mendip Hills in an area of outstanding natural beauty, he was unable to convert the exterior but carried out a full internal conversion costing £500,000. The hospital cost £200,000 to buy. There are 70 patients, some terminally ill, and 60 per cent are supplementary benefit residents.

"We could take 100 per cent private patients," says Mr Stanniland "but this is not our policy. My wife worked in the NHS and we decided to provide something that the NHS couldn't give." The private sector is the biggest carer of terminally ill patients after the NHS, he says, "something which is not usually acknowledged."

He thinks that the straightforward nursing home business is becoming overcrowded with more beds than patients, but there is room for custom-built, specialist units. He warns that with the huge loans needed, projects could fail in the first 12 months. "For someone with plenty of capital there is a possible long-term profit from a specialist nursing home, but you cannot rely on income for two or three years."

The private sector may find it has little room to manoeuvre in providing alternative NHS care and will increasingly look to the top end of the retirement market. Health economist William Laing has described an expansion in private care for the elderly, already a £600m-plus market, in the top and bottom ends of provision. "Location is all important. You can succeed taking supplementary benefit residents if you are out of London and the Home Counties," he says, "you can do it in the south-west or the north-east and even the south coast. In those areas where the limits are adequate it can be viable.

"The Government may bow to the private sector demand for supplementary benefit limits to vary regionally, and then we might see a different London rate in future. Supplementary benefit officers have no idea of value for money—you can't ask them to work out rates. These problems are being looked at and there may be a more rational price structure in the longer term."

The target

In his major market survey of private and residential care, Mr Laing identifies the top end of the market as a target for large developers, both health care providers and builders. He forecasts that public and voluntary provision would remain static, providing for an estimated 215,000 people.

"We reckoned that 5 per cent of the elderly population could pay over £200 a week, and this was 1984 research. It is not a huge top end, but it is a large number of people. There is underprovision in high quality care and there is room for care at this level."

The best known name in the sheltered accommodation sphere, McCarthy and Stone, is already moving in this direction. Next month they will be opening a luxury nursing/residential home at Bexhill, and planning another in the Wirral. There will be 24-hour care from qualified nursing staff in these custom built homes.

M & S's research has told them that there is a big demand for high quality nursing homes from elderly people with a valuable property which they cannot maintain through ill-health. Now that dual registration is possible, homes may keep residents who become ill and dependent, caring for them in a nursing wing, and some homes are now operating on these lines.

At Bexhill, all rooms will have central heating, colour TV, an alarm system and room for the residents' favourite pieces of furniture. There will be a library and "activity" room, games room, village shop and clubroom bar. The garden is landscaped and there will be a bowling green.

There are not too many guidelines for new entrants to the private nursing care sector. The Centre for Policy on Ageing has produced Home Life: A Code of Practice for Residential Care, which appeared after the Government announced new measures for registering and inspecting private homes last year.

Help in setting up a home comes from the Registered Nursing Homes Association in a two-level service to potential proprietors. A £40 starter pack gives sufficient information to do a feasibility study, and the Association's £150 much-acclaimed manual gives a thorough guide to starting a nursing home, right down to how many TV licences are needed.

Registered Nursing Home Associations: 7-7a Station Rd, Finchley. Tel. 346-1224. Care of Elderly People: The market for Residential and Nursing Homes in Britain. Laing and Buisson, 1 Perren St, London NW5 3ED. £45.

The Princess Alice Hospice, Esher, Surrey, opened part of its 26-bed in-patient unit at the end of last year and has been providing home care services in support of doctors for some time. It is a completely voluntary organisation.

Hospices take on bigger role

Voluntary Sector

DAVID LOSHAK

NO COUNTRY which has such a notable corps of bodies as St John Ambulance, the Samaritans, the Red Cross, the WVS, Release, and a host of similarly dedicated organisations, not least among whom are the many Leagues of Friends who lighten the cares of patients in hospitals, need feel that the spirit of voluntarism in the field of health care has faded or is in danger.

It is true that in recent years the voluntary sector has sometimes seemed to be losing out, particularly in relation to the rise of commercial provision. The presence of volunteers in National Health Service hospitals has also, on occasions, aroused the ire of NHS trade unionists, who have seen voluntary workers as potential blacklegs in times of industrial dispute.

One thing, however, is clear. The image of the volunteer as a do-gooding, flowery-hatted, twin-set and pearls fusspot is well and truly dead. Today's volunteers, both individuals and organisations, do not just fiddle about with flower arrangements at the bedside.

No field of voluntary work shows this more vividly than what has become the most significant voluntary movement of all, the hospices. Because the medically non-specialist care of the dying, while sometimes superb, has often been no better than "unsympathetic dismissal," in the Lancet's words, the hospice movement has grown rapidly in response to the need to improve care.

Twenty years ago in Britain there were no hospices which provided care for the dying backed by modern techniques of pain and distress relief (although, of course, several religious institutions cared tenderly for the terminally ill). Today there are nearly 100, and the number is growing apace. All are voluntarily funded, either wholly or in large measure.

This modern movement began with the pioneering work of Dame Cicely Saunders, as nurse social worker and physician. She learned, and taught others, to recognise the unmet needs of the dying and saw the route to the total control of pain. In 1967, she opened St Christopher's Hospice, Sydenham.

Hospices aim to care both for the terminally ill and their families. So treatment includes not only the control, largely through drugs, of symptoms, of which breathlessness, coughing, vomiting and weakness can be just as distressing as pain, but also support and comforting at a time when fear and loss of independence and dignity are no less upsetting.

The patient, in other words, is not just a medical "case." All the patient's psychological, social and above all spiritual needs and problems come into the picture.

Patients and their dear ones need time and opportunity to voice their fears and hopes. Listening and response are therefore a vital part of hospice care. By the same token, care does not end when death supervenes: most hospices have support services for relatives, a valuable way of easing or preventing the psychiatric and, indeed, physical problems that can afflict the bereaved.

The hospice team is necessarily more multidisciplinary than most medical teams. Doctors, nurses and social workers are joined by therapists of several kinds, depending on need, and of course by a chaplain, priest or other pastoral counsellor.

The expansion of the hospice movement means that several systems of care for the dying have developed. Many people prefer to live out their last days at home, so most hospices provide care in collaboration with family doctors.

Voluntary bodies such as the Macmillan nursing services, the National Society for Cancer Relief and the Marie Curie Foundation, play a key role in this field.

The future of the hospice movement—and it surely has one which will see further considerable expansion, for there is much unmet need—is bedevilled by the problems of financial support.

As the British Medical Journal has pointed out, hospices, for all their air of sanctity, are fundamentally hospital units like any other, with staff who need payment, buildings that need repair, bills for food, heat and laundry which have to be paid. Several hospices are in financial difficulty and St Christopher's itself has had to struggle in recent years to overcome a heavy accumulated deficit. It needs at least £50,000 a month, largely from the local community, to meet the gap between its NHS support and the full costs of its 62 beds.

In a Commons debate last May, Mr David Amess, MP for Basildon, ventilated a similar problem with St Luke's Hospice in his own constituency.

Building it, he pointed out, meant that £500,000 needed to be raised over three years, even though the local development corporation was providing help, as were architects and others, with reduced fees. One particularly onerous part of the cost burden was VAT totalling more than £58,000.

Major role

Responding, Mr John Patten, then at the health department and whose own constituency in Oxford has a similar locally-supported hospice, could see no chance of the Government being able to help on that score. But he did call for further growth of the hospice movement and underlined, too, the voluntary sector's major role in cancer research. Voluntary bodies such as the Imperial Cancer Research Fund and the Cancer Research Campaign pay for more than half of the nation's research into cancer and its relief.

The voluntary services, Mr Patten emphasised—and it is a view that successive governments have consistently upheld—can and should contribute significantly to the nation's health services as a whole.

"In the past," the minister added, "there have been criticisms of health authorities for not taking voluntary organisations into account. That must stop.

"Health authorities have a positive duty to take into account voluntary organised fund-raising activities."

The future, then, for the voluntary movement in British health care is one in which it will be growingly needed. Whatever recent trends may seem to have indicated, it will have an assured and acknowledged role.

Paying for test tube babies

Fertility Treatment

PETER MARSH

IN RECENT years, in vitro fertilisation has emerged as an exciting technique that can help infertile couples to become parents.

The private health care industry, in Britain and elsewhere, has been at the forefront in setting up clinics to offer treatment based on in vitro principles.

The technique is not, however, without controversy. Some people object on moral grounds to anything which interferes with natural birth methods and which produces embryos fertilised anywhere than in the womb.

The dire consequences of such work, according to the more fevered of these views, could be of the type hitherto confined to the minds of science fiction novelists—the work could include the breeding by crazed scientists of private armies and the generation of new forms of life by the mixing in laboratory of biological material from different species.

On a more pragmatic plane, arguments continue, too, on the degree to which in vitro methods can contribute to the problems of infertility. Although experience with the technique is growing all the time, perhaps only 5 per cent of all infertile couples can be helped by the treatment.

Furthermore, even those women judged suitable for in vitro fertilisation have only a low chance of producing a healthy baby by this method. In the best clinics, the success rate per treatment (for which the couple may pay £1,000-£2,000 upwards) is about one in four. The ratio can easily fall to 1 in 10 in centres which are less experienced with the technique.

None the less, in vitro fertilisation appears to have enormous potential. In Britain alone, an estimated quarter of a million couples may be suitable for the treatment.

The principles of in vitro fertilisation are straightforward. It can be applied when the reproductive organs of couples are working normally—except for the fact that the fallopian tubes of the woman (which carry eggs from the ovaries to the womb) are blocked or damaged.

In such cases, eggs from the woman are collected from the top of the fallopian tubes in a "ripe" state — shortly before they would be released normally during the monthly process of ovulation.

Laparoscope

The woman is normally given drugs to make her "superovulate." Instead of releasing one egg at a time, she releases several, perhaps as many as 20. In practice, as many eggs as possible are recovered. This is normally done in a minor surgical operation in which a small telescopic device, a laparoscope, is thrust through the abdomen so the surgeon can view internal organs. The eggs are hooked out using tiny needles inserted through the abdominal wall.

Another, more recent, technique involves a less invasive procedure which does not require a general anaesthetic. Instead of looking at the eggs he wants to recover with the laparoscope, the surgeon locates them with ultrasound.

In the laboratory, the eggs are fertilised with some of the male partner's sperm. Despite the term "test tube babies" which is applied to offspring produced by this technique, fertilisation takes place in open glass dishes, rather than in tubes.

The tiny embryos so produced—normally no bigger than a speck of dust—are then implanted into the womb of the woman. Normally this takes place when the embryos are two-three days old. If all goes to plan, the embryo then continues to grow normally, relying on nutrients from the mother's blood stream, and a baby results some nine months later.

The world's first test tube baby, Louise Brown, was born in 1978. Since then about 2,500 have appeared, most of them in hospitals either in Britain or Australia, with smaller numbers in the US and other European countries.

Britain's tally of test tube babies stands at about 800, 550 of them born at a private clinic set up at Bourn Hall, near Cambridge, by the two men who have pioneered in vitro techniques, Mr Patrick Steptoe and Dr Robert Edwards.

Other leading centres in Britain include London's Hammersmith Hospital and two private clinics in London, the Wellington and Cromwell hospitals. Other hospitals in Bristol, Manchester, and Glasgow are among those introducing treatment based on in vitro methods.

In vitro fertilisation is available only rarely under the National Health Service. Even where mothers undergoing the treatment are in public hospitals, they normally have to pay for it under private medical schemes. In only one hospital—St Mary's Hospital in Manchester—has a local health authority paid for the full costs of setting up a service to provide the treatment.

The lack of official enthusiasm in the NHS for in vitro methods is partly due to their cost. In the private sector, a couple who after a run of poor results (perhaps due to embryos failing to implant properly) have several attempts at in vitro fertilisation can easily run up a bill of several thousand pounds. The treatment itself, involving regular trips to hospital for hormone injections or blood tests, is also not only expensive but extremely fraught.

The health establishment, in the UK as elsewhere, is also cautious about in vitro methods because of the controversy about the ethics of the treatment.

Much of the discussion stems from the fact that, in most in vitro work, more eggs are fertilised than are needed for one individual treatment. This is so that the physician can choose the most healthy looking embryos to implant in the womb. Also the doctor may want to keep some embryos in a frozen state, for implanting in the woman perhaps some months later should the treatment fail initially.

The result is that out of (say) eight embryos growing in special chemicals in the laboratory only two or three are used in implanting. What then happens to the "spare" embryos is a delicate matter.

Physicians think that, by probing the evolution and genetic make-up of embryos, they may be able to shed light on diseases related to genetic defects, multiple sclerosis and Down's syndrome for example.

Research on the "spare" embryos is, from this point of view, highly desirable. Just as important, it may help to produce better techniques for future work in vitro fertilisation. Such research is, however, distasteful to people who accord to embryos the status of unborn children.

An uneasy compromise has resulted, at least for the moment. Under present practice in both Britain and the US doctors can conduct research on embryos as long as they are less than 14 days old. (In fact, with current techniques it is very difficult to keep embryos alive in the laboratory for more than 8-10 days.)

This particular age limit emerged because only after 14 days does the embryo take on anything like a human form. At about this time, the cluster of cells that is an early embryo begins to feature a concentration of biological material called the "primitive streak" from which evolves the beginnings of the body's neural system.

Embryos

A related issue is the length of time embryos may be stored in a frozen state before being implanted in a womb of a woman for further growth. At least in theory, embryos preserved for unlimited periods by irresponsible or criminal organisations could meet a number of fates which are limited only by the imagination. Doctors could, for instance, experiment with the embryos (perhaps to introduce into humans special genetic traits) or implant a number of embryo "clones" into surrogate mothers with the goal of breeding some kind of superior species.

According to a committee chaired by Dame Mary Warnock, which was set up by the Government four years ago to inquire into human fertilisation and embryology, a time limit of 10 years should be set on such storage. The committee, which reported in July 1984, also suggested other measures to regulate in vitro methods, such as a statutory licensing authority to supervise all such work and the 14-day limitation on embryo research.

The Government has, however, put forward no firm plans for legislation. In the absence of a statutory licensing body, the Medical Research Council and the Royal College of Obstetricians and Gynaecologists are operating a voluntary licensing scheme, to which some 30 UK centres involved in in vitro work are subject.

In parliament, meanwhile, some MPs are anxious to introduce legislation to give greater legal protection to embryos that would greatly curtail work in in vitro fertilisation. A Bill along these lines is being introduced by Mr Kenneth Hargreaves, the Conservative MP for Hyndburn, though it is by no means certain to reach the statute book.

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Top left: test of lung function at a Bupa medical centre; bottom left diagnostic X-ray with the latest remote controlled equipment and (right) a computerised Ergostar (gas analysis equipment) linked to a treadmill to measure cardiac and metabolic changes during exercise.

Big demand for fitness monitoring

Screening

PETER MARSH

REGULAR SCREENING of people to monitor signs of disease is one of the fastest growing areas in the private health care industry.

Screening programmes start from the standpoint that an individual's health, just like any other factor in his or her personal or business life, will benefit from good management.

Consultations with a doctor once a health problem is evident is not, according to this thesis, enough. A more intelligent and fruitful strategy is regular checks to ferret out signs of health problems before they become symptoms.

Such checks are, nowadays, more than just a brief conversation with a doctor to establish whether specific parts of the body appear to be in good order. Under screening programmes now available, a range of modern technology is brought to bear to monitor organs such as the heart and lungs and to checks for signs of diseases such as cancer.

Screening is concerned much more with factors such as the attitudes of individuals towards preventive medicine and the amount of time their doctors can allot to them than with any breakthroughs in medical technology.

For example, a major step forward in fighting diseases of the heart and vascular system—which in Britain are responsible for 150,000 deaths a year, or half of all mortality—would occur if the country's general practitioners had the time and inclination to monitor their patients' blood pressure on each surgery attendance.

High blood pressure often gives an early sign that a person is suffering from a disease of this sort. Better public appreciation of this and the other risk factors behind heart disease such as smoking, lack of exercise, obesity and fatty foods, would help the UK to reduce its high total of deaths from this cause.

Highest

Britain's tally of deaths through heart disease is among the highest in the world and a special problem in relatively young people. One out of 10 men, for instance, will die of heart disease before he is 65, while one in four men of this age group suffers from the ailment.

Similarly, a properly administered screening system for cervical cancer which uses the most simple technology would save the lives of the majority of the 2,000 or so women in Britain who die from this disease each year. Countries such as Sweden, the US and Iceland which have introduced screening programmes of this sort have shown how the approach can cut deaths from the disease, which if spotted early enough can invariably be cured.

Bupa, the private health care company, is the leader in providing systematic health screening in Britain. Each year the company assesses in this way the health of some 50,000 people, most of them employees of companies which pay the charge of roughly £180 as part of a benefits package.

The screening service offered by the company, which it recommends should be repeated every three years by someone aged under 35 and once a year by the over 50s, includes a detailed interrogation (conducted by a computer) to look for signs of health problems, together with checks on parts of the body such as the heart and analysis of blood.

In Britain, probably no more than about another 50,000 people a year receive such systematic health assessments, an indication of the low standing of preventive medicine among both the medical profession and the general public.

In recent years, a growing area in screening has been tests of individuals' personal fitness, to some degree to determine whether these people are capable of sports such as marathon running but also to spot very early signs of heart disease.

These tests are directly akin to examinations in industry of machinery while the hardware is operating under heavy load. In conventional investigations of the heart, electrical pulses from the organ are monitored with an electrocardiogram while the person is at rest or involved in only moderate exertion (such as walking up and down steps).

A treadmill

In fitness monitoring, the person has to run or walk on a treadmill whose speed is adjusted to fit the individual's physical capabilities. During the process, the heart is monitored with an ECG. At the same time, gas-analysis machinery into which the person breathes works out the volume of oxygen obtained from the air that he or she is turning into useful work by muscular action.

Results from the tests can tell the physician details about the state of the person's heart and lungs as well as his or her general muscular condition. Virtually no one other than top-class sportsmen received such monitoring in Britain until three years ago.

Since then two companies have started up fitness assessments of this kind on a fee-paying basis. Physiometrics, which is owned by AMI, the US hospitals group and is based in Cheadle, near Manchester, is testing about 1,500 people a year, while Bupa, at a fitness-assessment unit in London, is testing people at a similar rate.

Demand has been so great that Bupa is due shortly to start a similar unit in Manchester. Both companies charge £150-£180 for an examination of this kind.

Dr Bruce Davies, technical director of Physiometrics who is also a researcher at the University of Salford, says that many ECG's taken of people under resting conditions are useless in detecting signs of heart defects, which become evident only when the heart is put under stress.

Such defects are the cause, for instance, of the large numbers of seemingly healthy people whose bodies are not used to stress and who die from heart attacks while involved in sudden exertions such as digging snow or playing squash.

Physiometrics works out from the fitness test and a general medical examination a programme of exercise and diet to fit an individual. Dr Davies says that about 8 per cent of the people who visit his centre—many of them relatively young executives aged 30-50—are suffering from heart disease and do not know it. A total of 80 per cent have risk factors that could lead to their contracting the condition at an early stage.

For-profit hospitals feel the pinch

The U.S.

TERRY DODSWORTH

OCTOBER 2, 1985 is a date that will be long remembered in the private, profit-oriented US health care business. In one trading session on Wall Street that day, the industry suddenly lost the glitter which had attracted investors to give it star rating after its 20-year rise from obscurity.

As share prices plummeted, so did the image of invulnerability in which the companies had basked during a period of staggeringly rapid expansion.

Now that the dust has settled on this Wall Street fracas, conclusions are being drawn about the future of the industry. The first, and perhaps most important, is that the private hospitals are themselves subject to the same financial pressures as the public sector groups where the problems became visible earlier.

This message was drummed home by the October 2 incident, which was sparked by a poor earnings report from American Medical International (AMI), and accompanied by a gloomy forecast from Hospital Corporation of America (HCA), the largest of the private, for-profit organisations, and the doyen of the industry.

Until the earnings problem surfaced, the for-profit hospitals had appeared to be the main beneficiaries of changes hammered out by Washington in the way health care payments are administered in the US. Under this new regime, brought in by the Reagan Administration in 1983, the system of medical payments has been altered to a fixed, standardised price per medical intervention.

Rather than hospitals charging fees that are highly variable depending on the treatment which they determine, they now have an incentive to hold costs to a certain pre-determined price: if they perform their services at less than the price, they reap the gains financially, while if they exceed the guidelines, they take the loss.

For some time after this reform came in, it looked as though the for-profit investor-owned groups were adapting to it more effectively than their competitors. The for-profit hospitals, run by private companies with the objective of achieving the best earnings possible, claimed to have a better grip on their costs than other organisations—state-run hospitals or the huge group of US charitable and religious hospitals. Private enterprise, the for-profit companies argued, was producing the best management systems.

The for-profit groups, however, are now clearly suffering from the same Medicare-related ailments as the other types of hospitals. One research study, conducted by the Johns Hopkins School of Public Health and Lewin and Associates, even suggests that while the for-profit hospitals may make slightly more efficient use of their physical plant, the main reason that these companies have generated stronger profits over the years is through higher prices "Investor-owned chain hospitals set prices competitively for the more visible room and board services, while setting higher prices for the less noticeable ancillary services," the report says.

A related difficulty for hospitals in general is the tougher attitude to health care costs that has steadily developed in corporations offering health insurance plans to their employees. Mirroring the action of the Government over Medicare, the corporate sector has increasingly tried in wage settlements with the big unions to draw up agreements which put a cap on hospital costs. As a result, the rise in health costs has diminished to around the rate of inflation from double the general rise in prices in the early-1980s, putting a further squeeze on hospital income in the process.

A third pressure point for the hospitals has been a severe drop in the number of hospital admissions. As a result of the restraints on spending in both the public and private sectors, admissions are reckoned to have fallen by about 8 per cent in the last two years, with hospital occupancy rates down to 65 per cent last year from 75 per cent in 1980, and expected to fall to around 60 per cent by 1990.

As the number of unfilled beds goes up, hospitals are having to carry more overheads per unit of revenue, or else find new uses for the beds, as some of them are doing, in specialised services. Problems over occupancy rates may well intensify this year because of the passage of the Gramm-Rudman Act calling for budgetary cuts to work towards a balanced federal budget. The Reagan Administration has already frozen medicare payments for 1986, and these normally provide 40 per cent of hospital revenues.

In response to these various challenges to their growth, the big hospital groups are now embarking on rationalisation moves and diversifications. Early last year, for instance, HCA and AHS, the largest wholesaler of hospital equipment, tried to arrange a merger which would have created a vertically integrated business. This deal eventually foundered, allowing American Hospital Supplies to be snapped up by Baxter Travenol, the medical products manufacturer.

A more common theme in the reorganisation trend is the effort to create multi-service businesses, embracing various elements of health care provision, from insurance to specialised psychiatric hospitals, nursing homes and Health Maintenance Organisations (HMOs).

In his thrust for expansion, HMOs have become the hottest businesses in US health care, attracting keen interest on Wall Street.

The basic concept of the HMOs is to provide full medical and hospital benefits for a uniform, prepaid monthly fee paid for by the individual or a company health benefit scheme.

While patients give up the freedom to choose doctors and hospitals, they have more containable costs.

Humana, the Louisville, Kentucky-based investor-owned hospital company that has pioneered the use of artificial hearts, is already one of the latest HMO operators in the US, with 350,000 members.

In addition, many of the large investor-owned groups are now moving into health insurance and even the most radical new area of medical care, the so-called shop-front clinics, sometimes known colloquially as "doc-in-the-box" centres.

Analysts believe that in the longer term these developments will lead to the establishment of a few large, investor-owned health groups offering a full range of services for the benefits of corporate clients in particular. This will still leave some room for the growth of specialised companies in nursing care, psychiatric treatment and so on, but the view on Wall Street is that from now on the expansion in all of these sectors will be less dramatic than it has been for the last two decades.

Leading U.S. Companies

	Sales $bn	Net profits $m	Employees
Hospital Corp of America (HCA)	3.5	296.8	79,000
National Medical Enterprises	2.1	121.3	69,100
Humana	2.0	193.3	42,500
American Medical International	2.0	137.1	40,000
Beverly Enterprises	1.4	47.0	87,000

Expansion which causes anxiety

Psychiatric Care

DAVID LOSHAK

THERE ARE times when the providers of private health care might be forgiven for harbouring a persecution complex. For in the eyes of their critics, it seems, whatever they do is wrong.

That is certainly their perception over Kneesworth House, the £1.25m psychiatric hospital at Bassingbourn, near Cambridge, opened by American Medical International last September.

The private sector is repeatedly accused of going only for the easy pickings, seeking only the most profitable and least intractable forms of medical work, leaving the hard slog to the National Health Service. Yet, as soon as AMI announced that it planned to provide rehabilitative treatment for one of the most difficult groups of all, mentally disordered adults who are hard to place elsewhere, it came under heavy and still continuing, attack.

It was also attack that was not always correctly informed. Cambridge Community Health Council, for example, stigmatised Kneesworth as "a psychiatric bin where unwanted people are going to be dumped." Mind described the unit as "a Frankenstein," forgetting that Frankenstein was not the monster, but its creator.

Mind, the mental health pressure group, and other bodies voiced anxiety that a private company rather than the state would be keeping patients "under lock and key." Still others expressed worries about "behaviour modification programmes" which, they claimed, would rob patients of basic human rights, even to the extent of withholding food as a method of control.

In this brouhaha, the facts got lost. In particular, the idea got around that Kneesworth was a secure unit, with patients locked in their rooms, rather than merely a closed unit, with only external doors locked.

The unit does not cater for seriously violent or dangerous people, or patients for whom security rather than treatment must be the prime consideration.

The hospital has been licensed by Cambridge health authority. It expects to accommodate about 35 patients aged 18 to 50, rising to a maximum of 48 in the longer term.

Some will be referred privately or by courts but most will come from the NHS. The diagnostic categories covered include psychoses, schizophrenia, personality disorders and borderline mental impairment where there is behaviour disturbance.

Kneesworth offers a variety of therapies, including such conventional approaches as psychotherapy, medication and electric shock treatment, plus a rehabilitation programme which provides occupational therapy, social skills training, recreational therapy, education, workshop facilities, horticultural activities (the hospital has 45 acres of grounds) and sports. All this is in addition to the behaviour modification programme on which almost all attention has been focused.

Carole Woodiwis, managing director of AMI's subsidiary Psychiatric Management Services, which runs the hospital, argues that this programme is not punitive but provides "positive reinforcement." It is provenly successful, she contends.

Privileges such as sweets, extra television viewing and trips into town are awarded to those who behave well; patients who are "difficult" or "anti-social" will have these withdrawn. There is nothing unethical in that, says Dr Keith Cornish, the psychiatrist in charge.

"We follow strictly the model procedures laid down in the Mental Health Act and adhere to all current aspects of ethical standards."

For its part, the Health Department points out that Kneesworth will be regularly visited and subject to other rigorous controls, including inspections, sometimes unannounced, by the Mental Health Act Commission and the local health authority. "Guidelines for the conduct of behaviour modification programmes are established," it points out.

A further important point about Kneesworth is that it has a staff complement of 30. This is an exceptionally high ratio of staff to patients and permits very thorough care. While the fees of £650 a week for each patient might seem high at first sight, they cannot in this light be regarded as unreasonable.

After the intensive treatment and rehabilitation programme, a social worker will help each patient plan a successful return to the community.

Kneesworth is not AMI's only psychiatric unit, though it is the only one of its particular kind. The company is well advanced with its plans for a network of Oakhurst alcohol treatment centres and has other kinds of clinic and day care units on the drawing board.

To health ministers of the present Government, such developments are welcome, marking, as they see it, constructive collaboration between the public and private health sectors.